HOWOGE Wohnungsbaugesellschaft mit beschränkter Haftung IFRS Consolidated Financial Statements 2024

This is a convenience translation of the annual report. The German report is the sole authoritative version.

Contents

HOWOGE Wohnungsbaugesellschaft mit beschränkter Haftung, Berlin

I. Group management report for the fiscal year from 1 January to 31 December 2024

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1 Information on the Group

1.1 Business purpose and strategy

HOWOGE Wohnungsbaugesellschaft mbH and its subsidiaries ("HOWOGE" or the "Group") is one of Germany's biggest landlords based on housing stock. Its real estate holdings of around 77,100 residential units (as of 31 December 2024) in Berlin include rental apartments as well as over 1,150 commercial units, some 18,100 other units and numerous development plots, and, including school construction, have a current fair value of approximately EUR 13.1b. HOWOGE's core business as a property holder comprises the long-term management and development of the Company's own portfolio.

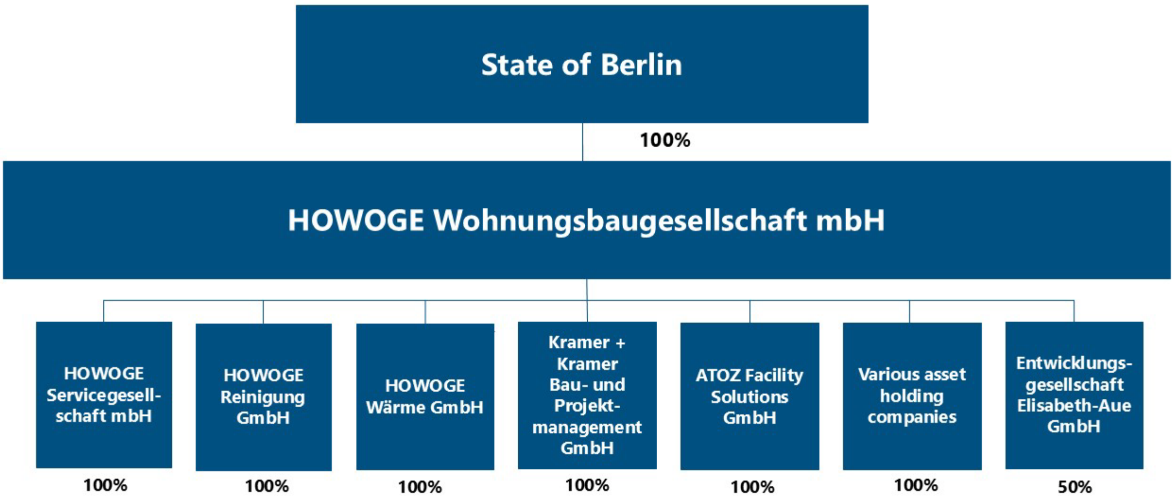
As one of six municipal housing companies belonging to the State of Berlin, HOWOGE pursues a social mandate to supply affordable housing to the people of Berlin.

HOWOGE intends to increase its housing portfolio to around 100,000 units in the medium to long term, many of which will be new-builds. With a wide variety of housing offers and forward-looking sustainability and mobility concepts, the housing company creates stable neighborhoods for the long term. HOWOGE is also building and refurbishing schools for the State of Berlin under the Berlin School Building campaign, a business field that is economically separate from the core business.

HOWOGE has a solid financial footing with a sound capital structure and numerous financing opportunities, and is guided by its commitment to sustainability. Since 2021, HOWOGE has issued bonds as an additional means of external financing alongside the use of equity and subsidies as well as conventional property financing by means of collateralized bank loans. The two international rating agencies Standard & Poor's and Fitch have given HOWOGE an issuer rating of A (S&P) and AA- (Fitch), both with a stable outlook. To ensure a defensive risk profile, the Company has defined a loan-to-value (LTV) ratio of 50% as its maximum limit.

1.2 Group structure

Overview of the HOWOGE Group:



HOWOGE is a municipal housing company and is wholly owned by the State of Berlin. It is structured as a traditional holding group. HOWOGE Wohnungsbaugesellschaft mbH is responsible for the management and maintenance of its own housing stock as well as the overarching corporate management functions within the Group on behalf of all affiliates. Its responsibilities also include strategic tasks, investment decisions for portfolio management and provision of support services for all group companies. Service agreements are in place for this purpose between HOWOGE and the group companies.

Five subsidiaries are responsible for service, cleaning, energy management, facility management and construction management:

HOWOGE Servicegesellschaft mbH provides ancillary residential services within the Group, including concierge, janitor and neighborhood assistance services. Its service portfolio also includes receptionist and secretarial services, system support and construction quality assurance.

Since July 2023, HOWOGE Reinigung GmbH has been gradually taking over the cleaning of communal areas for the HOWOGE properties with the aim of ensuring high-quality cleaning services and cost security for tenants.

HOWOGE Wärme GmbH is responsible for supplying heating energy and hot water to the Group's housing stock. Its tasks also include end-to-end energy management ranging from building analysis, planning and management of energy-saving measures to operational management of the facilities and control of consumption. The entity also explores options for using renewable energies with the aim of further reducing carbon emissions and implements them for the Group. Additionally, Wärme GmbH provides measurement and metering services for energy billing for the HOWOGE Group's portfolio and supplies electricity to tenants.

Kramer + Kramer Bau- und Projektmanagement GmbH supports HOWOGE in the execution of its numerous new housing construction projects and the preparation and execution of school construction projects for the State of Berlin. Its responsibilities include a large number of services in the area of construction and project management as well as construction-related consulting services.

In fiscal year 2024, HOWOGE acquired 100% of the shares in LEO II. – VV14 GmbH as the sole shareholder of ATOZ Facility Solutions GmbH (ATOZ) GmbH.

ATOZ acts as a provider of bundled facility management services for HOWOGE and other housing companies. The focus of minor repair management includes services relating to electrics, plumbing, carpentry, tiling, painting and heating as well as individual facility management services such as cleaning, green space maintenance and janitor services.

All of the Group's rental units are held by HOWOGE and 13 property holding companies, Wohnungsbaugesellschaft Lichtenberg mbH (WBL) is the largest property holding company in the Group with a portfolio of approximately 41,500 residential units. HOWOGE holds a 50% investment in Entwicklungsgesellschaft Elisabeth-Aue GmbH (EGE), which was founded as a joint venture with GESOBAU AG. After it was agreed in the Berlin coalition agreement for 2023 to 2026 to continue the development of "Elisabeth-Aue" in the Berlin district of Pankow into a new neighborhood, EGE resumed its work as the project sponsor for the property development.

1.3 Management system

HOWOGE is managed using aggregated and strategic performance indicators at group level and specific metrics for the operational management of the School Construction and Residential segments, applying an integrated planning and control system based on key performance indicators. An integrated long-term plan for a period of ten years is prepared on the basis of the business strategy and is reviewed and adjusted on an annual basis. In addition to planning earnings, financial position and cash flows, this also includes the Company's non-financial value drivers and factors in the individual performance of each property and project. The forecast process entails a regular update for the current fiscal year based on current business performance. For the purposes of targeted management, management-relevant indicators are continuously compared against current business performance and current processes as part of a standardized, monthly reporting process. Any necessary actions in the event of deviations are implemented and tracked.

1.3.1 Financial and non-financial key performance indicators relevant for management

The Group’s performance is managed using the following key performance indicators that are calculated and assessed on a monthly basis.

Funds from operations (FFO) is a liquidity-based performance indicator and shows the Group’s operating cash flow. The figure is calculated by deducting interest and tax expenses affecting cash from adjusted EBITDA and adding loan repayment policies. Adjusted EBITDA is earnings before interest, taxes, depreciation, amortization, impairment and reversals of impairment. One-time effects, such as transaction costs, restructuring costs or earnings effects from disposals, are adjusted accordingly. The interest coverage ratio is another key performance indicator and shows the Company’s ability to service interest payments from current operations. It is calculated by dividing adjusted EBITDA by the net interest expenses affecting cash. Profit or loss for the period is also one of the HOWOGE Group’s key performance indicators.

The loan-to-value (LTV) ratio is an indicator used to manage investments and indebtedness in the Residential segment. The LTV ratio is determined by calculating the ratio of net financial liabilities to the fair value of investment property. The ratio of net financial liabilities to adjusted EBITDA is also used for management, the medium to long-term target being net financial liabilities less than 17 times adjusted EBITDA.

The following non-financial key performance indicators are used for the Residential segment:

Operational management is primarily carried out on the basis of average net rent (excluding heating and utilities) per square meter and the vacancy rate for the entire housing portfolio. In its rental business, the Group ensures that it achieves a certain quota of letting to persons with a certificate of eligibility for public housing (WBS) in relation to total letting. In its reletting activities, the Group aims to achieve a WBS rate of at least 63%.

The School Construction segment is managed on the basis of the segment result and the investment volume.

2 Economic report

2.1 Economic environment

According to the economic forecast by the German Economic Institute (IW), Germany's economy is showing signs of stagnation. The stable service sector is only just managing to make up for the continued slump in the industrial and construction sectors. Despite an increase in real incomes, private consumption and the related service segments remain weak. The difficulties faced by industry and construction are having an adverse effect on business services. In addition, the industrial sector continues to suffer because of geopolitical conflicts, which are weighing on global investment activity. In the construction industry, high construction costs, regulatory complexity and higher financing costs are having a negative impact. Yet there is a considerable need for additional investment in residential and public construction. Consumers and investors remain wary in the face of high uncertainty. At a global level, there are no signs of geopolitical conflicts easing in the short term; on the contrary, the formation of geoeconomic blocs is intensifying. The unpredictable and confrontational policies of the US also pose a risk, with the government vacuum in Germany adding to the uncertainty. The fragmentation of the global economy, geopolitical tensions and potential trade conflicts will hamper global economic growth. As such, growth of just 2.5% is forecast for 2025. Global trade is set to rise by 2%. Germany stands to benefit less than usual due to its declining competitiveness, while net exports will slow economic momentum. The German economy is unlikely to recover in 2025 as consumer spending remains moderate and investments weak. Following a decline in economic output of 0.2% in 2024, a maximum increase of 0.1% is forecast for 2025. The inflation rate will stand at around 2% in the coming year, with the continued economic weakness having an increasingly negative impact on the German labor market. The number of people in work is expected to decrease by 0.1% in 2025, accompanied by a rise in the unemployment rate to 6.2%. With investment activity in the doldrums, inflationary pressure is likely to be low, meaning that further key interest rate cuts by the European Central Bank (ECB) are to be expected. Additional cuts to key interest rates in 2025 would appear sensible, particularly in the context of strict lending conditions. The ECB could aim for a corridor of 2.5% to 3.0% without this causing a significant increase in inflationary pressure.[1]

Investitionsbank Berlin (IBB) expects a slight recovery in the Berlin economy in the second half of 2024. This will be driven by the steady fall in inflation seen of late and stable real wage growth of 5.5% most recently, which should stabilize consumer sentiment and growth in Germany's capital. These developments should have a positive effect on the Berlin labor market, which recently saw an increase of 0.6% in the number of people in insurable employment, only slightly above the nationwide average of 0.5%.

[1] IW Economic Forecast Winter 2024, December 2024.

Consequently, growth may have come to around 2% in 2024. At EUR 52.8b and almost 30% of gross value added, the business service segments are an important pillar of the German capital's economy. Following the drastic decline due to the coronavirus pandemic in 2020, this sector made a significant contribution to stabilizing Berlin's economy. In Berlin, too, the construction industry has come under pressure from rising costs, with new orders for the main construction sector declining in the first half of the year. Builder-owners continue to exercise caution due to uncertainty about the medium-term development of property prices. Moreover, the number of building permits issued for residential and non-residential construction fell by 35.9% to 4,656 in the first five months of 2024 against the prior-year period. Building completion figures are still benefiting from the construction backlog accumulated in prior years. In 2023, 15,965 apartments were completed. However, at least 20,000 new apartments would be required each year to meet housing needs, with affordable, medium-sized apartments being in particularly high demand.[2]

In 2025, the key issue of demographics will continue to have a significant impact on conditions in Germany's housing markets. It is highly likely that immigration in 2025 will again be above the long-term average, which will create additional pressure from short-term demand especially. This stands in contrast to an expected decline in new construction activity. A further decrease in the supply of rental apartments is therefore expected, especially as vacancies available in the short term, which are only around 1% in the major cities, cannot be leveraged to provide sufficient additional supply. The significant growth in rents in recent years has also led to a sharp rise in local reference rents, which means that substantial rent increases are also realistic for existing rental agreements. On this basis, Colliers expects a recovery in the transaction market and assumes that price corrections have largely taken place already.

Market dynamics in 2025 will hinge on the ECB's further moves on interest rates and the progress made by large real estate owners on their sales and portfolio streamlining processes. At the same time, a new demand dynamic is expected from these players as they make allocations and position themselves in other segments and risk classes.[3]

The strained situation in terms of supply and demand on the Berlin housing market is likely to continue. The current demographic developments in Berlin are taken into account in the population forecast by the Senate Department for Urban Development, Building and Housing. According to the central forecast value, Berlin's population is expected to rise to around 3.91 million inhabitants by 2030 and could almost reach the four million mark by 2040 at 3.96 million. In that year, it is estimated that the city will have over 2.23 million households.

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[2] IBB, Berlin Economy, August 2024.

[3] Colliers, Outlook 2025, December 2025.

On 3 September 2024, the Berlin Senate adopted the new Urban Development Plan for Housing (StEP Wohnen 2040). The plan identifies the need for an additional 222,000 apartments in Berlin by the end of 2040. 100,000 new residential units are therefore to be built by the end of 2026 (approximately 33,000 per year), followed by a further 50,000 by the end of 2031 (approximately 10,000 per year) and another 72,000 apartments by the end of 2040 (approximately 8,000 per year). In recent years, completion figures have been well below the target of more than 30,000 apartments per year set for 2024 to 2026.

2023 saw a renewed decline in the number of building permits issued in Berlin as construction costs and interest rates remained high and the economy was flagging. The number of completed apartments is therefore expected to have declined further in 2024. Given the persistently high demand and limited supply, both asking prices for condominiums and net rents (excluding heating and utilities) have risen almost without stop since 2006. In 2020, rents fell by a slight 2% due to a higher volume of new construction, low population growth and the rent cap introduced in February 2020. However, median quoted rents have been rising again since 2021, with this increase accelerating from 2022, as fewer new apartments have been built and construction interest rates have risen sharply. This has led to increased demand for rental apartments from households that are unable to purchase property in the current climate.

In 2023, one half of all privately financed new-build rental apartments in Berlin were quoted at a minimum net rent (excluding heating and utilities) of around EUR 20/sqm, while the middle 75% went for between EUR 16.2 and EUR 24.5/sqm. Compared to the prior year, the median quoted rent increased by approximately 17.5% for new-builds. In this period, the median asking price for new-build condominiums was around EUR 8,070/sqm in a range of EUR 6,650 to around EUR 9,300/sqm of living space.[4]

2.2 Business performance

2.2.1 Real estate portfolio

As of 31 December 2024, HOWOGE's real estate portfolio comprised 77,113 residential units, 1,158 commercial units and 18,103 other units (mainly garages and parking spaces). The properties are located in Berlin and to a lesser extent in the neighboring State of Brandenburg. There is a strong concentration in the Berlin-Lichtenberg district, where some 75% of the Company's residential units are currently located. Under the cooperation agreement "Affordable rents, new housing construction and social housing supply" concluded with the State of Berlin, HOWOGE has committed itself to a number of measures to ensure that affordable housing is provided to the population. The current cooperation agreement is effective for the period from 1 January 2024 to 31 December 2027 and permits higher average new-let

[4] empirica, market and housing stock analysis, December 2024.

rents for privately financed housing in addition to the possibility of raising rents in accordance with Sec. 558 BGB ["Bürgerliches Gesetzbuch": German Civil Code] and Sec. 559 BGB. Overall, the net rent (excluding heating and utilities) in new-build housing should not exceed an average of EUR 15.00/sqm of living space. For existing rent agreements, rent increases of up to 2.9% p.a. on average are possible in accordance with Sec. 558 BGB. An affordability promise ensures that the net rent (excluding heating and utilities) does not surpass 27% of the tenant's household income, provided that the relevant income and living space thresholds are not exceeded. At the same time, the new cooperation agreement stipulates that homes should be re-let to households with different income levels (up to 140%, and 140% to 220%), which ensures differentiated letting to those holding certificates of eligibility for public housing (WBS) and thus enables a better social mix within neighborhoods. One such measure is that a minimum of 63% of all existing apartments are reserved for persons with a certificate of eligibility for public housing. These also include, in particular, special needs groups, such as recipients of transfer benefits, refugees and homeless persons. In 2024, 64.6% of apartments were re-let to WBS holders. Owing to the cooperation agreement and the social focus of its portfolio management, HOWOGE has limited potential for rent increases compared to its private competitors.

As of 31 December 2024, the average net rent for residential units (excluding heating and utilities) was EUR 6.77/sqm (31 December 2023: EUR 6.46/sqm) and the vacancy rate by area was 1.5% (31 December 2023: 1.5%). The average net rent (excluding heating and utilities) for 2024 was EUR 6.69/sqm (prior-year average: EUR 6.42/sqm). The tenant turnover rate stood at 4.1% in fiscal year 2024 (2023: 4.3%).

The following table provides an overview of the portfolio as of 31 December 2024:

	Number of units[1)]	Area in sqm	Net rent (excl. heating and utilities) in EUR m p.a.	Net rent (excl. heating and utilities) in EUR/sqm	Vacancy rate in %
Residential	77.113	4.752.340	386,0	6,77	1,5
Commercial	1.158	179.118	20,0	9,31	6,1
Subtotal	**78.271**	**4.931.458**	**406,0**	**6,86**	**1,7**
Parking and other	18.103	304.190	19,4	-	-
Total	**96.374**	**5.235.648**	**425,4**	**-**	**-**

[1)] Excluding some 200 owner-occupied units as of the reporting date

Portfolio development

In fiscal year 2024, the housing portfolio grew by a total of 721 residential units, which is largely attributable to new construction.

In April 2024, agreements were signed for the purchase of a real estate package for a price of EUR 700m. HOWOGE Wohnungsbaugesellschaft mbH is thus acquiring PRIMA Wohnbauten Privatisierungs-Management GmbH (PRIMA), whose 4,492 apartments in Berlin are mainly located in Lichtenberg and complement the HOWOGE portfolio very well. Moreover, HOWOGE is acquiring

Stadtentwicklungsgesellschaft Buch (SEG Buch) together with Berlinovo Immobilien Gesellschaft mbH, taking a 74% stake in the company. The transfer of the shares in the companies took place as of 2 January 2025 and increased HOWOGE's portfolio to more than 81,600 apartments.

A total of around EUR 107.7m was invested in the portfolio for maintenance and refurbishment in the reporting year (2023: EUR 86.3m). Of this, around EUR 46.1m (2023: EUR 44.9m) was attributable to maintenance expenses.

HOWOGE has set its sights on making its building stock climate-neutral by 2045. When it developed its climate strategy, the target for climate neutrality was set at no more than 3 kg CO_2/sqm. The figure as of 31 December 2024 can be viewed in chapter *3.2.2 E1 Climate change* in section *E1-4: Targets related to climate change mitigation and adaptation*.

New construction/project development

The creation of new housing through new construction, densification, vertical extension and the acquisition of project developments is fundamental to HOWOGE's portfolio strategy.

In fiscal year 2024, HOWOGE completed 667 new apartments and added them to its portfolio. The construction projects Eichenring in Panketal with 221 apartments, Wittenberger Strasse with 133 apartments and Sven-Hedin-Strasse with 130 apartments are among the largest new-build projects that were ready for letting in 2024. The completion of around 900 apartments is planned for fiscal year 2025.

Real estate appraisal

The real estate appraisal as of 31 December 2024 led to slightly higher fair values than in the prior year due to the more stable market environment, the positive development of rents and the additions of new-builds.

See the notes to the consolidated financial statements for more information on the real estate appraisal.

The following overview shows the key valuation indicators for our real estate portfolio (excluding undeveloped land, developments and assets under construction) as of 31 December 2024:

	Number of units[1)]	Fair Value in EUR b	Fair Value in EUR/sqm	Multiplier Actual rent	Multiplier Actual rent
Residential, Commercial and Other	96.374	12,56	2.482	29,0x	23,1x

[1)] Excluding some 200 owner-occupied units as of the reporting date

School construction

HOWOGE is building new schools and extensively refurbishing existing schools under a master agreement with the State of Berlin as part of the Berlin School Building campaign. The segment is analysed separately from the core business as a wholly independent undertaking. There are currently plans for HOWOGE to build 27 new schools (thereof seven wood module schools) and refurbish 11 school complexes. Funds of more than EUR 5b have been earmarked for the investment program and will be raised through shareholder loans, state guarantees and a forfaiting program.

Seven schools are currently under construction. The start of work on the refurbishment of the first existing school is planned for 2025. In spring 2024, two schools on the Allee der Kosmonauten site were successfully completed and handed over to the district. The completion and handover of two further schools (ISS Am Breiten Luch and Gymnasium Erich-Kästner-Strasse) is planned for 2025.

2.2.2 Employees

Group headcount developed as follows:

	31. Dec 2024	31. Dec 2023
Employees [1)]	1.380	1.084
Management board (HOWOGE Wohnungsbaugesellschaft mbH)	2	2
Employees in training[2)]	34	35
Total	**1.416**	**1.121**

[1)] The category “Employees” comprises the prior-year categories “Salaried employees (including management of subsidiaries)” and “Wage earners”

[2)] The category “Employees in training” comprises the two prior-year categories “Trainees” and “Students” The figures in this table also include inactive employees.

By company, the development breaks down as follows:

	31. Dec 2024	31. Dec 2023
HOWOGE Wohnungsbaugesellschaft mbH	740	704
HOWOGE Servicegesellschaft mbH	290	273
HOWOGE Reinigung GmbH	146	70
HOWOGE Wärme GmbH	49	47
Kramer + Kramer Bau- und Projektmanagement GmbH	29	27
ATOZ Facility Solutions GmbH	162	-
Total	**1.416**	**1.121**

The number of employees in the Group increased by 295 in 2024. The increase in headcount is primarily attributable to the acquisition of ATOZ Facility Solutions GmbH. HOWOGE Reinigung GmbH expanded further, as more properties are now being cleaned by in-house cleaners. In addition, HOWOGE acquired ATOZ Facility Solutions GmbH and thus welcomed its employees into the Group.

As of 31 December 2024, HOWOGE Wohnungsbaugesellschaft mbH had 705 employees (prior year: 667), 33 (prior year: 35) employees in training and two general managers (prior year: two).

2.2.3 Statement on corporate governance[5]

HOWOGE is obligated to issue a statement on corporate governance pursuant to Sec. 289f (4) HGB. It is published in the 2024 management report of HOWOGE. The statement on corporate governance is also disclosed voluntarily in the consolidated financial statements.

Participation of women and men in management positions

The composition of the supervisory boards and management boards of companies owned by the State of Berlin is governed by the LGG ["Landesgleichstellungsgesetz": Berlin Gender Equality Act]. Supervisory board members (shareholder representatives) are appointed by the shareholder, management board members are appointed by the supervisory board. Both are subject to the provisions of the LGG and the FüPoG II ["Gesetz zur Ergänzung und Änderung der Regelungen für die gleichberechtigte Teilhabe von Frauen an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst": German Act Supplementing and Amending the Rules on Equal Participation of Women and Men in Executive Positions in the Private and Public Sector].

In accordance with Sec. 36 GmbHG ["Gesetz betreffend die Gesellschaften mit beschränkter Haftung": German Limited Liability Companies Act], HOWOGE is required to establish a target for the percentage of women on the management board and a date for the achievement of this target.

The objective of the FüPoG II is to increase the percentage of women in management positions and to establish binding rules for this purpose.

The LGG stipulates gender equality in the composition of the supervisory board. By shareholder resolution dated 17 September 2015, a target of 50% female representation for the members of the supervisory board to be appointed by the shareholder was set for HOWOGE with immediate effect.

Disclosures on the minimum proportion of women and men on the supervisory board

Pursuant to Art. 8 of HOWOGE's articles of association, the supervisory board of HOWOGE comprises six members to be elected by the shareholder meeting, including one member in accordance with the WUAusrStärkG ["Gesetz zur sozialen Ausrichtung und Stärkung der landeseigenen Wohnungsunternehmen für eine langfristige Wohnraumversorgung": Berlin Act on the Social Orientation and Strengthening of State-Owned Housing Companies to Safeguard a Long-Term Housing Supply] and three members to

[5] Unaudited disclosure

be elected by the employees pursuant to the DrittelbG ["Drittelbeteiligungsgesetz": German One-Third Employee Participation Act].

As of 31 December 2024, HOWOGE's supervisory board had three women and six men. The percentage of women was thus 33.3%. 50% of the members appointed by the shareholder were female. Failure to reach the target of 50% for the full supervisory board is due to the procedures for the appointment of new or substitute members at the level of the shareholder, the employee representatives and the tenants' council.

In 2023, the shareholder decided to fill the three vacant positions on the supervisory board with two female members and one male member. In addition, in 2022, after a female supervisory board member representing the employees stepped down for health reasons, the previously elected substitute candidate was appointed to the supervisory board. Furthermore, the tenants' council was reconstituted in reporting year 2022 and decided to appoint a male representative to the supervisory board.

Disclosures on the targets for female representation in management positions

In September 2022, the management board established a target for the percentage of women and men on the management board of at least 40% for each of the two management levels below the management board (second and third management levels) with due regard to the provisions of the FüPoG II and with immediate effect. For the remaining 20%, a deliberate decision was made not to set any gender-specific target.

The percentage of women in the abovementioned management positions stood at 56% as of the reporting date 31 December 2024.

The management levels break down as follows:

	Woman		Men	
Management level	**Number**	**%**	**Number**	**%**
First management level (management board)	1	50	1	50
Second management level (management of subsidiaries, heads of functions and divisions)	11	58	8	42
Third management level (departmental heads	17	55	14	45
Total	**29**	**56**	**23**	**44**

In line with the LGG provisions, in its meeting on 6 April 2016, the supervisory board set a target of 50% female representation on the management board, effective immediately.

Ms. Katharina Greis and Mr. Ulrich Schiller represented the highest management level as of 31 December 2024. The various selection procedures were carried out taking the target focus and the LGG into account.

HOWOGE has a full-time female representative who monitors the implementation of and compliance with the LGG. She is involved in all selection procedures in the Group (regardless of the management level).

2.2.4 Information on the financial performance, assets, liabilities and financial position

Financial performance

Overall, financial performance breaks down as follows:

in EUR k	2024 Total	Thereof School Construction	Thereof Residential	2023 after adjustment[1)]
Rental and lease revenue (IFRS 16)	403.841	-	403.841	385.211
Revenue from operating costs (IFRS 16)	40.636	-	40.636	38.592
Revenue from real estate management	**444.477**	**-**	**444.477**	**423.804**
Revenue from the in-substance sale of school buildings (IFRS 16)	167.790	167.790	-	-
Revenue from operating costs (IFRS 15)	25.075	-	25.075	28.926
Revenue from heating costs (IFRS 15)	80.799	-	80.799	78.674
Revenue from management services and other trade	10.546	-	10.546	7.784
Other revenue	3.529	-	3.529	1.889
Other revenue from real estate management	**287.739**	**167.790**	**119.949**	**117.275**
Total revenue	**732.216**	**167.790**	**564.426**	**541.078**
Profit or loss from the remeasurement of investment property	-46.926	-	-46.926	-1.179.694
Change in inventories for school construction projects	81.860	81.860	-	172.783
Own work capitalized	11.566	8.560	3.007	3.765
Cost of materials	-412.484	-238.445	-174.039	-363.767
Personnel expenses	-76.860	-3.923	-72.937	-64.624
Amortization and depreciation of non-financial assets	-6.630	-	-6.630	-7.266
Impairment and reversals of impairment of financial assets	-177	-	-177	-3.623
Other operating income	11.770	49	11.722	57.028
Other operating expenses	-49.529	-1.896	-47.633	-36.257
Profit or loss from investments accounted for using the equity method	-3.798	-	-3.798	2.400
Gain or loss from assets held for sale	600	-	600	-300
Finance income	24.367	7.625	16.741	12.190
Finance costs	-67.788	-12.186	-55.602	-43.363
Other taxes	-16.640	-12	-16.628	-16.551
Profit or loss before taxes	**181.547**	**9.421**	**172.126**	**-926.202**
Income taxes	-41.450	-6.308	-35.141	191.419
Profit or loss for the period	**140.097**	**3.113**	**136.985**	**-734.783**
Other comprehensive income/loss (actuarial losses from pension plans)	-39	-	-39	-
Tax effect on other comprehensive income/loss	12	-	12	-
Total comprehensive income/loss	**140.070**	**3.113**	**136.958**	**-734.783**

[1)] Please see note 1.3 of the notes to the consolidated financial statements for more information on the adjustments

Consolidated revenue amounted to EUR 732.2m (prior year: EUR 541.1m).

The EUR 20.7m increase in revenue from real estate management is mainly due to the growth in the portfolio as a result of new construction and to rent increases. Revenue from the in-substance sale of school buildings is reported for the first time in accordance with IFRS 16 (EUR 167.8m) and relates to the completion of the first school construction project under the School Building campaign on the Allee der Kosmonauten site.

The higher cost of materials is due in particular to the increase in school construction projects and the associated construction costs.

Cost of materials in the School Construction segment is governed by separate cost assumption agreements with the State of Berlin. These costs are recharged and reflected in profit or loss during the rental phase. Upon completion of the first school construction project, a total of EUR 156.3m in disposals was recognized through the change in inventories (on sale) in the fiscal year. These disposals contrast with additions of EUR 238.2m in the fiscal year, which resulted in a net increase in inventories of EUR 81.9m.

Investment property is stated at fair value, exercising the option to apply the fair value method. Gains or losses arising from a change in the fair value of investment property are recognized in profit or loss (IAS 40.35). In fiscal year 2024, a valuation loss of EUR 46.9m arose on the basis of a CBRE appraisal in accordance with IFRSs (2023: valuation loss of EUR 1,179.7m) and was due to various factors, including the continued high interest rates coupled with higher overall construction and maintenance costs. Rents did not keep pace with costs in 2024.

Other operating income in the fiscal year fell by EUR 45.3m year on year to EUR 11.8m, mainly due to prior-year effects. On the one hand, plant and machinery were recognized in 2023 (reclassification from IAS 40), which led to a one-time effect. On the other hand, the reversal of provisions for operating costs exempt from billing is no longer included.

The increase in finance income by EUR 12.2m to EUR 24.4m is mainly attributable to the change in interest rates for deposits on bank accounts and the unwinding of the discount related to the in-substance sale of school buildings.

Personnel expenses were up by around EUR 12.2m, largely due to the growth in headcount, including the acquisition of ATOZ Facility Solutions GmbH in 2024.

Other operating expenses increased by EUR 13.3m compared to the prior year. This is mainly due to costs incurred in connection with acquisitions and also to allocations to provisions for onerous contracts of around EUR 6.3m.

Finance costs rose by a total of EUR 24.4m year on year due to additional external funds raised for financing purposes.

Tax expenses in fiscal year 2024 are largely due to deferred tax expenses from the fair value measurement of the real estate portfolio and expenses from corporate income tax and the solidarity surcharge of EUR 14.3m as well as trade tax of EUR 9.1m.

Overall, the Group generated total comprehensive income of EUR 140.1m (prior year: EUR -734.8m).

The total comprehensive income of EUR 3.1m in accordance with IFRSs for the School Construction segment is a significant improvement on the loss of EUR 1.3m generated in the prior year and is attributable to the in-substance sale of the first school construction project.

The FFO (funds from operations) adjusted for special and valuation effects shows the normalized development of profit or loss and is comprised as follows in accordance with IFRSs:

in EUR m	1. Jan - 31. Dec 2024	Thereof Residential	2023	Thereof Residential
Total revenue	**732,2**	**564,4**	**541,1**	**541,1**
Change in inventories for school construction projects	81,9	-	172,8	-
Own work capitalized	11,6	3,0	3,8	2,2
Cost of materials	-412,5	-174,0	-363,8	-191,0
Personnel expenses	-76,9	-72,9	-64,6	-61,5
Other operating income	11,8	11,7	57,0	57,0
Impairment and reversals of impairment of financial assets	-0,2	-0,2	-3,6	-3,6
Other operating expenses	-49,5	-47,6	-36,3	-35,1
Financial result[1)]	-0,5	-0,5	5,3	5,3
Other taxes	-16,6	-16,6	-16,6	-16,6
One-time effects[2)]	7,4	7,4	-37,9	-37,9
One-time effects from the completion of school buildings[3)]	-11,7	-	-	-
Adjusted EBITDA	**276,8**	**274,6**	**257,2**	**259,8**
Income tax expenses affecting cash[4)]	-29,9	-29,9	-21,4	-21,4
Net interest expenses affecting cash[5)]	-42,3	-37,7	-35,3	-36,2
Loan repayment policies	1,7	1,7	-2,9	-2,9
Income/expense from the sale of non-current assets affecting cash	-0,6	-0,6	0,0	0,0
FFO (funds from operations)	**205,8**	**208,1**	**197,7**	**199,4**

1) Finance income/loss from the cash surrender value of insurance policies held

2) One-time effects predominantly comprise expenses from changes in provisions including provision for onerous contracts and income from the sale of commercial properties

3) One-time effects from the completion of school buildings predominantly comprise income and expenses that are not directly offset by cash flows

4) The income tax expenses affecting cash comprise the total of current and out-of-period income taxes

5) The net interest expenses affecting cash include finance income adjusted for one-time effects, finance costs and expenses under the BilMoG ["Bilanzrechtsmodernisierungsgesetz": German Accounting Law Modernization Act]

FFO of EUR 205.2m is above the prior-year level of EUR 197.7m. This effect is due to the improved operating result from facility management. The additions to the portfolio also had a positive impact on adjusted EBITDA.

The interest coverage ratio (ICR), i.e., current interest income and expenses to adjusted EBITDA, is as follows:

in EUR m	1. Jan - 31. Dec 2024	Thereof Residential	2023	Thereof Residential
Adjusted EBITDA	276,8	274,6	257,2	259,8
Net interest expenses affecting cash	-42,3	-37,7	-35,3	-36,2
ICR	**6,5x**	**7,3x**	**7,3x**	**7,2x**

In order to take account of the change in interest rates, the calculation of this ratio was adjusted in 2024 to include net interest expenses. Previously, adjusted EBITDA was only divided by interest expenses to determine the interest coverage ratio, whereas interest income is now also taken into account. The interest coverage ratio deteriorated due to higher interest expenses in fiscal year 2024. The interest coverage ratio in the Residential segment increased slightly compared to the prior year. The effect is explained by the increase in adjusted EBITDA, which more than compensated for the higher interest expenses incurred by the Residential segment.

Assets, liabilities and financial position

Assests in EUR k	31. Dec 2024 Total	in %	Thereof School Construction	Thereof Residential	31. Dec 2023 Total	in %
Non-current assets						
Intangible assets	7.148	0,1%	-	7.148	1.235	0,0%
Investment property	12.616.945	89,4%	-	12.616.945	12.325.089	92,5%
Prepayments on investment property	69.093	0,5%	-	69.093	96.497	0,7%
Property, plant and equipment	80.571	0,6%	-	80.571	76.751	0,6%
Investments in joint ventures	15.471	0,1%	-	15.471	19.270	0,1%
Financial assets	2.019	0,0%	-	2.019	97.053	0,7%
Rental and lease receivables	160.402	1,1%	160.394	8	35	0,0%
Total non-current assets	**12.951.650**	**91,8%**	**160.394**	**12.791.255**	**12.615.929**	**94,7%**
Current assets						
Inventories for school construction projects	365.773	2,6%	365.773	-	283.913	2,1%
Rental and lease receivables	48.562	0,3%	4.721	43.840	40.022	0,3%
Receivables from other trade	2.754	0,0%	-	2.754	474	0,0%
Contract assets	4.712	0,0%	-	4.712	9.054	0,1%
Other financial assets	6.232	0,0%	-	6.232	4.985	0,0%
Other assets	61.344	0,4%	2.923	58.421	57.102	0,4%
Income tax receivables	904	0,0%	-	904	2.961	0,0%
Cash on hand and bank balances	645.198	4,6%	176.985	468.213	273.650	2,1%
Assets held for sale	23.493	0,2%	23.493	-	33.936	0,3%
Total current assets	**1.158.973**	**8,2%**	**573.896**	**585.077**	**706.097**	**5,3%**
Total assets	**14.110.622**	**100,0%**	**734.290**	**13.376.332**	**13.322.027**	**100,0%**

Equity and liabilities in EUR k	31. Dec 2024 Total	in %	Thereof School Construction	Thereof Residential	31. Dec 2023 after adjustment[1)]	in %	1. Jan 2023 after adjustment[1)]
Equity							
Subscribed capital	25.000	0,2%	-	25.000	25.000	0,2%	25.000
Capital reserves	332.887	2,4%	-	332.887	320.937	2,4%	317.901
Accumulated retained earnings	6.960.997	49,3%	-2.560	6.963.557	7.695.954	57,8%	7.693.957
Consolidated accumulated loss/net retained profit	140.097	1,0%	3.113	136.985	-734.783	-5,5%	-793
Total equity	**7.458.982**	**52,9%**	**553**	**7.458.429**	**7.307.108**	**54,8%**	**8.036.064**
Non-current liabilities							
Other provisions	2.080	0,0%	-	2.080	1.330	0,0%	1.182
Financial liabilities	4.785.580	33,9%	700.906	4.084.674	3.556.683	26,7%	3.913.790
Other liabilities	113.505	0,8%	9.517	103.987	79.028	0,6%	39.195
Deferred tax liabilities	1.491.521	10,6%	5.417	1.486.104	1.479.689	11,1%	1.692.486
Total non-current liabilities	**6.392.685**	**45,3%**	**715.840**	**5.676.845**	**5.116.730**	**38,4%**	**5.646.653**
Current liabilities							
Other provisions	11.780	0,1%	-	11.780	7.107	0,1%	15.947
Rental and lease liabilities	22.964	0,2%	-	22.964	17.137	0,1%	13.570
Trade payables	131.492	0,9%	4.256	127.236	121.768	0,9%	112.102
Contract liabilities	27.698	0,2%	-	27.698	23.289	0,2%	43.946
Financial liabilities	37.618	0,3%	7.981	29.637	700.961	5,3%	4.713
Tax liabilities	7.518	0,1%	-	7.518	13.901	0,1%	3.478
Other liabilities	19.885	0,1%	5.661	14.225	14.027	0,1%	52.076
Total current liabilities	**258.955**	**1,8%**	**17.897**	**241.058**	**898.189**	**6,7%**	**245.832**
Total liabilities	**6.651.640**	**47,1%**	**733.737**	**5.917.903**	**6.014.919**	**45,2%**	**5.892.485**
Total equity and liabilities	**14.110.622**	**100,0%**	**734.290**	**13.376.332**	**13.322.027**	**100,0%**	**13.928.549**

[1)] Please see note 1.3 of the notes to the consolidated financial statements for more information on the adjustments

Assets and liabilities are balanced. Non-current assets are fully financed by long-term capital.

Investment property is still the largest asset item, accounting for 89.4% of total assets. The relative year-on-year decrease of 3.1 percentage points in total assets reflects the property appraisal in 2024 as well as the in-substance sale and change of the value of the school buildings.

The marked increase in inventories in the School Construction segment is due to investments in construction preparation and the ongoing new school construction and school refurbishment projects. The sale of the first school construction project on Allee der Kosmonauten had an offsetting effect. On balance, disposals in the fiscal year were more than offset by the progress on school construction work. The sale of the first school construction project led to a noticeable increase in revenue and a corresponding increase in non-current receivables.

Cash on hand and bank balances were up significantly on the prior year, due partly to new loans raised to finance the School Building campaign. The effect is also due to the issue of the bonds to finance part of the purchase price for the housing portfolio. This effect was not fully canceled out by the repayments made in the fiscal year. See also the explanations on nominal liabilities to lenders. In the fiscal year, non-current financial assets decreased significantly due to the sale of life insurance policies.

The change in assets held for sale is mainly attributable to the sale of the former head office on Ferdinand-Schulze-Strasse, which took place in February 2024.

The book equity ratio declined slightly to 52.9% (prior year: 54.8%). Overall, equity increased by EUR 151.9m, taking the net retained profit into account.

Despite the increase in equity, the equity ratio decreased, in particular due to new loans of EUR 1,024.3m. The repayment of other loans (EUR 500.0m) in the fiscal year was unable to offset this effect.

The following overview shows the development of the net asset value (NAV):

in EUR m	31. Dec 2024	31. Dec 2023 after adjustment[1)]
Equity	7.459,0	7.307,1
Deferred tax liabilities on investment property	1.506,7	1.493,4
NAV (net asset value)	**8.965,1**	**8.800,5**

[1)] Please see note 1.3 of the notes to the consolidated financial statements for more information on the adjustments

Non-current financial liabilities increased by a nominal EUR 464.3m to EUR 2,666.4m due to borrowings from lenders in the Residential segment. Borrowings of EUR 538.2m were offset by repayments of EUR 63.3m as well as debt forgiveness and repayment subsidies of EUR 10.6m. In total, non-current financial liabilities therefore increased by EUR 1,228.9m to EUR 4,785.6m. Current financial liabilities decreased by EUR 663.3m to EUR 37.6m.

In the School Construction segment, liabilities relate to the outstandings on a shareholder loan from the State of Berlin of EUR 193.3m (prior year: EUR 134.8m) and seven loans secured by a guarantee from the State of Berlin of EUR 517.0m (prior year: EUR 257.1m). The loans are granted with bullet repayment structures. In addition, there is a liability from the first end financing arrangement, which was entered into for the completed new school complex on Allee der Kosmonauten and had a residual outstanding of EUR 157.6m as of the reporting date 31 December 2024. This end financing was used to repay the related bridge financing in fiscal year 2024.

Other current provisions increased to EUR 11.8m in the fiscal year, mainly due to provisions for onerous contracts (EUR 6.1m). Other non-current and current liabilities also rose by EUR 39.9m, in particular due to further government grants in connection with new financing arrangements.

HOWOGE issued letters of subordination in relation to the liabilities from the following companies for the amounts show in parentheses: HOWOGE Herbststrase GmbH (EUR 12m), HOWOGE Roedernallee GmbH (EUR 13.5m), HOWOGE Landsberger Allee GmbH (EUR 22.6m) and HOWOGE Klingsorstrasse GmbH (EUR 3.5m). Letters of comfort were issued by HOWOGE for HOWOGE Soldinerstrasse GmbH (EUR 20m) and ATOZ Facility Solutions GmbH (EUR 10m).

HOWOGE issued a letter of comfort in favor of WBL in connection with the purchase of land (purchase price EUR 52m).

The financial position of all group companies was balanced as of 31 December 2024. The companies always met their payment obligations in due time and will be able to do so in the future as well.

Financing

To ensure its financial independence and defensive risk profile, HOWOGE has a long-term diversified financing structure. Risk is mitigated through measures such as longer-term interest rate fixing, lender diversification and a balanced loan renewal profile. In addition, the Company targets to start refinancing processes well in advance of major loan maturities in order to secure follow-up financing at all times, even in fluctuating markets. The potential impact on HOWOGE of changes in the financial framework are constantly monitored and reported on a monthly basis. Active loan collateral management is used to ensure optimal handling of collateral structures and the provision of collateral reserves. In this way, the Group ensures that it consistently maintains an unencumbered asset ratio. To ensure an even spread and independence from financing partners, the total volume per lender should not, as a rule, not exceed 20%. Investments in the School Construction segment are funded separately from HOWOGE's core business. School construction financing is not secured using any of HOWOGE's portfolio properties.

Since 2021, HOWOGE has had an issuer rating by the two international rating agencies Standard & Poor's and Fitch of A (S&P) and AA- (Fitch), respectively, with a stable outlook in each case. The ratings were last confirmed in the summer of 2024 and reflect the Company's good creditworthiness.

As of the reporting date, the loan portfolio in the Residential segment comprised collateralized and uncollateralized long-term annuity loans and subsidized loans (nominal value EUR 3,546.8m), unsecured corporate bonds (EUR 1,500.0m) and credit facilities (EUR 202.5m), some of which are also used for bank guarantees. The portfolio thus offers a broad range of financial instruments. As of the reporting date, bank guarantees of EUR 959.4k had been issued. Freely available credit facilities amounted to EUR 201.5m as of the reporting date.

Numerous financing and refinancing transactions were successfully carried out in fiscal year 2024. A social corporate bond with a nominal amount of EUR 300.0m and a term of six years was issued in 2024 to finance the portfolio purchase for which the purchase price was due on 2 January 2025. The remaining portion of the purchase price was financed using collateralized loans and existing liquidity. In addition, the refinancing and repayment of the maturing corporate bond took place in the fourth quarter of 2024 at a nominal amount of EUR 500.0m. This was largely refinanced by loans secured by land charges with terms of between five and 12 years. Otherwise, only minor refinancing arrangements and borrowings were made. Alongside subsidized loans of EUR 79.1m, a first tranche of EUR 50.0m was drawn from the credit facility with the Council of Europe Development Bank. The weighted average interest rate as of the reporting date increased to around 1.7%, well below current market interest rates. The average fixed-interest period for financial liabilities in the Residential segment was around eight years as of the reporting date.

Three further bridge loans of EUR 345.8m were concluded for the School Construction segment in fiscal year 2024, of which EUR 84.9m was drawn down in 2024 in line with the progress of construction. HOWOGE's first school construction project was completed in the second quarter of 2024. The first end financing arrangement with a nominal volume of EUR 160.0m was entered into when the school complex was handed over and went into operation. This end financing replaced the related bridge financing.

In 2021, HOWOGE set up a debt issuance program (DIP), which allows it to issue corporate bonds at short notice. Under the program covering a total of EUR 4b, three bonds with a total nominal amount of EUR 1.5b had been issued as of the reporting date. In the context of the DIP and the issuance of corporate bonds, HOWOGE undertook to comply with the following covenants:

- Ratio of consolidated financial liabilities to total equity and liabilities (in each case excluding School Construction): maximum 60%
- Ratio of secured financial liabilities to total equity and liabilities (in each case excluding School Construction): maximum 45%
- Ratio of consolidated adjusted EBITDA to net interest expenses affecting cash (in each case excluding School Construction): minimum 180%
- Ratio of unencumbered assets to unsecured financial liabilities (in each case excluding School Construction): minimum 125%

The covenants are reviewed every time loans are raised and were complied with at all times.

The LTV of the reporting year is presented below alongside the prior-year figures:

in EUR m	31. Dec 2024	Thereof Residential	31. Dec 2023	Thereof Residential
Financial liabilities[1)]	4.823,2	4.114,3	4.257,6	3.868,6
Cash and cash equivalents	-645,2	-468,2	-273,7	-188,2
Net financial liabilities	**4.178,0**	**3.646,1**	**3.984,0**	**3.680,4**
Investment property	12.616,9	12.619,9	12.325,1	12.325,1
Prepayments on investment property	69,1	69,1	96,5	96,5
Net LTV ratio (in %)	**32,9%**	**28,7%**	**32,1%**	**29,6%**

1) Financial liabilities are the total of current and non-current liabilities to affiliates

The loan-to-value (LTV) ratio in the Residential segment decreased to around 28.7% compared to 31 December 2023, well below the self-imposed maximum of 50%. The decrease is largely attributable to the increase in cash and cash equivalents and the growth of the real estate portfolio. Net financial liabilities (Residential) stand at 13.3 times adjusted EBITDA and therefore below the upper limit of 17 times.

Statement of cash flows

Statement of cash flows (condensed):

in EUR k	2024 Total	Thereof School Construction	Thereof Residential	2023 Total
Cash flows from operating activities	14.808	-223.789	238.597	83.554
Cash flows from investing activities	-183.352	7.625	-190.977	-295.247
Cash flows from financing activities	540.113	307.701	232.412	327.106
Net change in cash and cash equivalents	**371.569**	**91.538**	**280.031**	**115.413**
Cash and cash equivalents as of 1 January	**273.069**	**85.447**	**187.623**	**157.657**
Cash and cash equivalents as of 31 December	**644.639**	**176.985**	**467.654**	**273.069**

In 2024, cash and cash equivalents included EUR 0.6m in earmarked funds.

The statement of cash flows shows that the available cash and cash equivalents in the Group increased from EUR 273.1m in 2023 to EUR 644.6m. The effect stems from loans raised as part of the School Building campaign.

Cash flows from operating activities decreased by EUR 68.7m in fiscal year 2024, mainly due to the high income tax payments and investments in inventories for school construction. Cash flows from investing activities were negative at EUR -183.4m in fiscal year 2024 (2023: EUR -295.2m) due to investments made in residential investment properties.

At EUR 540.1m (2023: EUR 327.1m), cash flows from financing activities comprise in particular cash received from new borrowings and loans of EUR 1,244m, offset by EUR 708.6m in repayments of borrowings and EUR 52.3m in interest payments.

2.2.5 General assessment of the economic situation

The assets, liabilities, financial position and financial performance of the HOWOGE Group are positive overall. Positive operating results were once again achieved in fiscal year 2024 with FFO of EUR 205.8m. The sale of the first school construction project more than compensated for the reduced loss from the remeasurement of investment property and led to a consolidated profit for the period of EUR 140.1m and a slight increase in the loan-to-value (LTV) ratio to 32.9%. The LTV ratio for the Residential segment fell to 28.7% in the fiscal year. HOWOGE has a sound financing structure and is securely financed despite the currently difficult market conditions.

3 Sustainability statement

This sustainability statement simultaneously satisfies the requirements for a combined non-financial statement prepared in accordance with sections 289b et seqq. and 315b to 315c of the German Commercial Code (HGB).

HOWOGE Wohnungsbaugesellschaft mbH is the parent company of the HOWOGE Group and responsible for all entrepreneurial decisions.

This sustainability statement was prepared on a consolidated basis for the HOWOGE Group. It satisfies all requirements for the sustainability statement for the HOWOGE Group in accordance with the European Sustainability Reporting Standards (ESRS) and the requirements for the non-financial reporting obligations in accordance with sections 289b et seqq. and 315b to 315c of the HGB (combined non-financial statement).

The sustainability statement for the HOWOGE Group is prepared in full compliance with the ESRS. The first-time and full application of the ESRS as the framework in accordance with section 315c (3) in conjunction with section 289d of the HGB was implemented due to the significance of the ESRS as the reporting standards adopted for sustainability reporting by the European Commission.

No framework is applied for the non-financial statement in respect of HOWOGE Wohnungsbaugesellschaft mbH in accordance with section 289b of the HGB because an ESRS sustainability statement for the Group is of relevance for our stakeholders.

Therefore, regarding the content of the non-financial statement for HOWOGE Wohnungsbaugesellschaft mbH in accordance with section 289b of the HGB, reference can be made to the statement for the Group.

The environmental information in this sustainability statement includes disclosures in accordance with Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation) for the HOWOGE Group in *3.2.1 EU Taxonomy*.

Our most significant non-financial performance indicators are presented in the group management report, *chapter 1 Information on the Group*, *section 1.3.1 Financial and non-financial key performance indicators relevant for management* and *chapter 5 Outlook*.

There are no material risks arising from our own operations and from business relationships, products and services that would be very likely to have severe negative impacts on the non-financial aspects in accordance with section 289c of the HGB.

3.1 General information

3.1.1 ESRS 2 General disclosures

Basis for preparation

BP-1: General basis for preparation of sustainability statements

[ESRS 2 BP-1-5] The sustainability statement was prepared on a consolidated basis. The scope of consolidation is the same as for the consolidated financial statements. The sustainability statement covers the undertaking's upstream and downstream value chain, as defined for HOWOGE. The upstream and downstream value chain was included in determining and assessing the impacts, risks and opportunities in the double materiality assessment – see *ESRS 2 IRO-1-53*. Policies, targets, actions and metrics relate in equal measure to the upstream and downstream value chain. HOWOGE made no use of the option to omit information on intellectual property, know-how or results of innovation.

BP-2: Disclosures in relation to specific circumstances

Time horizon

[ESRS 2 BP-2-9] HOWOGE has not deviated from the ESRS definitions set out in ESRS 1 section 6.4 "Definition of short-, medium- and long-term for reporting purposes".

Value chain estimation

[ESRS 2 BP-2-10] HOWOGE estimates data for the upstream and/or downstream value chain in respect of its Scope 3 emissions – see *E1-6-48-55*.

Sources of estimation and outcome uncertainty

[ESRS 2 BP-2-11] In accordance with ESRS 1 section 7.2 "Sources of estimation and outcome uncertainty", the quantitative metrics in this report for the gross location-based and market-based Scope 2 GHG emissions and the gross Scope 3 GHG emissions mentioned under ESRS 2 BP-10 are subject to a high degree of measuring uncertainty. The capital expenditures for implemented and planned climate change mitigation actions are monetary amounts that are subject to a high degree of measuring uncertainty. For further information see *E1-3-29* and *E1-6-48-55*.

Changes in preparation or presentation of sustainability information

[ESRS 2 BP-2-13] This present report is the first sustainability report prepared in accordance with ESRS. For this reason, there were no changes in preparation or presentation of sustainability information compared with prior-year reports.

Reporting errors in prior periods

[ESRS 2 BP-2-14] This present report is the first sustainability report prepared in accordance with ESRS. For this reason, there can have been no material errors in prior reporting periods.

Disclosures stemming from local legislations or generally accepted sustainability reporting pronouncements

[ESRS 2 BP-2-15] In the following instance, HOWOGE has included information based on other legal provisions that stipulate the disclosure of sustainability information or on generally recognized standards and frameworks for sustainability reporting: GdW metrics BM 2 “Modernization intensity”, BM 3 “Proportion of residential units whose energy performance have been fully or partially modernized since 1990” and BM 4 “Maintenance intensity” in accordance with GDW Guideline 73 for sustainability reporting were included in Standard E5 “Circular economy”.

Incorporation by reference

[ESRS 2 BP-2-16] No information is incorporated by reference. This sustainability statement does not incorporate further information by reference.

Governance

GOV-1 The role of the administrative, management and supervisory bodies

[ESRS 2 GOV-1-21, 22, 23] The HOWOGE management board consists of two executive members and no non-executive members. The supervisory board consists of nine non-executive members, three of whom are workers’ representatives in accordance with the German One-Third Employee Participation Act (DrittelbG). The supervisory board has no executive members. In accordance with section 4 (3) of the DrittelbG in conjunction with section 8 (1) of the German Works Constitution Act (BetrVG), there are no disclosures concerning other employees.

The professional competence of the members of the management board is reviewed in the selection procedure; they are appointed on the basis of competence profiles.

In accordance with the Berlin Corporate Governance Code (BCGC) and the German Stock Corporation Act (AktG), the members of the supervisory board must have the necessary expertise and skills. Regarding sustainability, this is confirmed by the declaration of compliance in accordance with the BCGK. Therefore, the members of the supervisory board have the necessary expertise and experience enabling them to duly exercise their duties of oversight.

- Hendrik Jellema has held a number of management board positions in the private and municipal housing industry and is an expert for the housing industry and in the field of accounting.
- Alexander Slotty is Secretary of State for Construction and the Head of Berlin's Senate Department for Urban Development, Construction and Housing. By virtue of his office, he is an expert for construction.
- Tanja Mildenberger is Secretary of State of Berlin's Senate Department for Finance and, by virtue of her office, an expert for finance and economy.
- Elfriede Baumann is a retired auditor and tax advisor. As the former managing director of a firm of auditors, she is an expert for auditing financial statements.
- Daniela Riedel is the Head of the Residential Construction and Infrastructure Department in the Berlin Senate Chancellery and an expert for residential construction.
- Sebastian Lange is head of real estate strategy for a government-owned enterprise and an expert for strategic topics in the real estate industry. As a member of the tenants' council, he represents tenants' interests on the supervisory board.
- Jörn Lorenz is the vice-chairman of the works council and an expert for collective bargaining and human resources topics.
- Frank Sparmann heads a HOWOGE customer center and is an expertise for matters relating to tenants.
- Michael Schiller heads HOWOGE's properties and loan management department and is thus an expert for matters relating to sites and their assessment.

The impacts, opportunities and risks at HOWOGE relate to relevant housing industry topics. The housing industry expertise outlined above enables the supervisory board to also cover the impacts, opportunities and risks. In addition, it can expand its specialist expertise by requesting information from HOWOGE's management board and experts on matters relating to the IROs. Training on HOWOGE's impacts, opportunities and risks and materiality assessment is scheduled for January 2025.

The supervisory board consists of experts from areas of relevance to the company, including the private and municipal housing industry in Germany, finance, construction and accounting. The management board consists equally of men and women (50%), while the supervisory board consists of 33.33% women and 66.67% men.

HOWOGE is subject to a dual system of a management board and a supervisory board. The nine supervisory board members appointed by the shareholders are fully independent in accordance with the German Corporate Governance Code (GCGC). In accordance with Principle 20 of the GCGC, any conflicts of interest must be disclosed to the chairman of the supervisory board without undue delay.

In accordance with the AktG and HOWOGE's articles of association, the supervisory board monitors the risk situation and transactions requiring approval, including investments and human resources measures that go beyond collective bargaining or statutory provisions.

The three lines of defense model is applied in risk management: Operational employees monitor day-to-day risks and risk management; compliance experts develop and monitor guidelines; and the internal audit function assesses the effectiveness of the first two lines. Half-yearly risk reports are provided to the supervisory board and the shareholder.

Sustainability is integrated as a cross-cutting topic in all areas of the company. The sustainability function coordinates the development and implementation of sustainability targets and supports the departments in collecting data and information for sustainability reporting. The sustainability function is also responsible for analyzing and assessing the company's material impacts, risks and opportunities. Each year, the management board consults the sustainability function to define the sustainability targets and reports regularly on their implementation to the supervisory board. The management board holds the operational responsibility, implements the corporate strategy and takes decisions regarding target attainment. The supervisory board oversees the management board and supports the implementation of the corporate strategy. It reviews capital expenditures and monitors compliance with regulatory and ethical standards. The supervisory board has established a human resources committee, audit committee and building committee which prepare recommendations for resolution. Training and professional practice ensure that the members of the supervisory board and management board have the necessary expertise, especially in respect of sustainability and the material impacts, risks and opportunities. The necessary organizational structures ensure the transmission and provision of information within the company.

[ESRS G1-GOV-1-5] The supervisory board oversees and advises the management board, appoints its members and monitors the implementation of the corporate strategy and corporate policy. The management board manages HOWOGE independently and represents the company in judicial and extrajudicial matters. In accordance with clause 9 of HOWOGE's articles of association, it ensures sustainable business conduct, which is monitored by the supervisory board in accordance with section 111 (1) of the AktG.

HOWOGE's mission statement guides its corporate policy and defines the company's values. In accordance with the principles of HOWOGE's compliance management, it is based on the tenets of professionalism, integrity, transparency and confidentiality.

The Governance, Risk and Compliance function is responsible for the compliance management system. It supports the management board in ensuring the integrity of conduct within HOWOGE and its subsidiaries and in dealings with third parties. This also includes compliance with the code of values. The chairman of the supervisory board and the function meet regularly. The supervisory board receives an annual compliance report. The members of the supervisory board contribute expertise in areas such as finance, law, real estate, human resources and the tenants' perspective. The management board has the necessary expertise thanks to its involvement in the company's day-to-day business and the reports it receives from the company's departments.

GOV-2: Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

[ESRS 2 GOV-2-26] As a rule, the management board meets weekly to discuss company matters and adopt resolutions. At these meetings, it also receives information about material impacts, opportunities and risks in relation to sustainability matters, both in writing and from specialist employees. Every two weeks, the management board meets with the company's authorized representatives and, as a rule, has a jour fixe meeting with the heads of department every eight weeks. The sustainability-related agenda items relate to the IROs, due diligence, outcomes and policies, actions and targets. The supervisory board and the building committee meet four times a year and the human resources and audit committees twice yearly. At these meetings, the management board informs the supervisory board on an ad hoc basis about material sustainability matters. In addition, the supervisory board is informed annually about the outcomes and effectiveness of the policies, actions, metrics and targets that have been adopted.

The chairman of the supervisory board regularly meets with the management board to discuss strategic issues, planning, business development, the risk situation, risk management and compliance. They also discuss material sustainability matters. The supervisory board reviews the sustainability report. The contents of the non-financial report and the reporting in line with the EU Taxonomy were audited by an independent auditor to obtain limited assurance.

The management board contributed to preparing the analysis of the impacts, risks and opportunities which it the approved, see *ESRS IRO-1-53d*. It is therefore familiar with HOWOGE's material impacts, opportunities and risks. These are available to the management board and can be considered in monitoring the company's strategy, in making decisions about important transactions and in the risk management process.

The management board presented the impacts, opportunities and risks to the supervisory board at a supervisory board meeting. They can be considered in monitoring the strategy, in making decisions about important transactions and in the risk management process – also in respect of compromises.

Consideration in monitoring the company's strategy

The management board discusses material refinements of the corporate strategy with the supervisory board once yearly. The sustainability-related agenda items relate to the impacts, opportunities and risks, policies, actions, metrics and targets.

Consideration in decisions on important transactions

The management board also discusses important transactions such as the acquisition of portfolio properties or the establishment of new subsidiaries with the supervisory board and bring about decisions.

Consideration in decisions on the risk management process

Risk management is a permanent item on the agenda of supervisory board meetings and is discussed regularly. The standard risk process covers key issues for HOWOGE, reflecting the material impacts, opportunities and risks identified by the materiality assessment.

The administrative, management and supervisory bodies or their committees concerned themselves with all material impacts, risks and opportunities.

GOV-3: Integration of sustainability-related performance in incentive schemes

[ESRS 2 GOV-3-29, E1-GOV-3-13] The description of the incentive schemes relates solely to the group management board and not the overarching supervisory board bodies.

Each year, the members of the group management board receive a variable remuneration component in addition to their base salary. The payment of the variable remuneration to the members of HOWOGE's group management board is linked to the attainment of the company targets specified in the target agreement. Since 2023, sustainability has been integrated in the form of a sustainability target in the target agreements for the members of the management board. This sustainability target is one of HOWOGE's five essential corporate targets.

The sustainability target for 2024 was based on the climate strategy. In order to achieve a climate-neutral portfolio by 2045 (see *E1-4-34*), HOWOGE is committed to energy optimization, innovative system technology and green energy sources. Increasing the proportion of green energy sources has the highest potential for reducing CO_2 emissions. In 2024 (as in 2023), the sustainability target was based on constructing and commissioning sustainable energy generation facilities, thus contributing directly to HOWOGE's climate change mitigation action as part of the climate strategy. The sustainability target for 2024 was defined and measured in kilowatt peak (kWp) on the basis of the installed photovoltaic units and wind turbines. The sustainability target was attained in 2023. The target value for 2024 was more than double the prior-year figure, at 2,500 kWp. It was therefore in line with the expansion plan adopted as part of the photovoltaic program. The target was attained in full (100%) in 2024. For 2025 as well, the sustainability target was included in the target agreements for the members of the management board. Compared with 2024, it was significantly increased to account for 25% of their variable remuneration and to a target figure of 4,000 kWp.

In 2024 (as in 2023), the sustainability target accounted for 20% of the variable remuneration. The targets governing the variable remuneration of the members of the group management board are formulated in line with the provisions and conditions stipulated by the shareholder and approved by the supervisory board. The level of target attainment will also be established by the supervisory board after completion of the independent audit of the annual financial statements.

GOV-4: Statement on due diligence

[ESRS 2 GOV-4-32]

Core elements of due diligence	The due diligence in relation to the impacts on humans and the environment is described in detail in the following paragraphs of the sustainability statement.
a) Inclusion of due diligence in governance, strategy and business model	Chapter ESRS 2: GOV-2, GOV-3, SBM-3 Chapter E1: SBM-3 Chapter S1: SBM-3 Chapter S3: SBM-3 Chapter S4: SBM-3
b) Inclusion of affected stakeholders in all important due diligence steps	Chapter ESRS 2: GOV-2, SBM-2, IRO-1 Chapter E1: IRO-1, E1-2 Chapter E5: E5-1 Chapter S3: S3-1 Chapter S4: S4-1 Chapter G1: G1-1, G1-2, G1-3
c) Determination and assessment of negative impacts	No negative material impacts were defined in the course of the materiality assessment.
d) Actions to mitigate these negative impacts	No negative material impacts were defined in the course of the materiality assessment.
e) Monitoring the effectiveness of these efforts and communication	Chapter E1: E1-4, E1-5, E1-6 Chapter E5: E5-3, E5-5 Chapter S1: S1-5, S1-6, S1-10, S1-11, S1-16, S1-17 Chapter S3: S3-5 Chapter S4: S4-5 Chapter G1: G1-4, G1-6

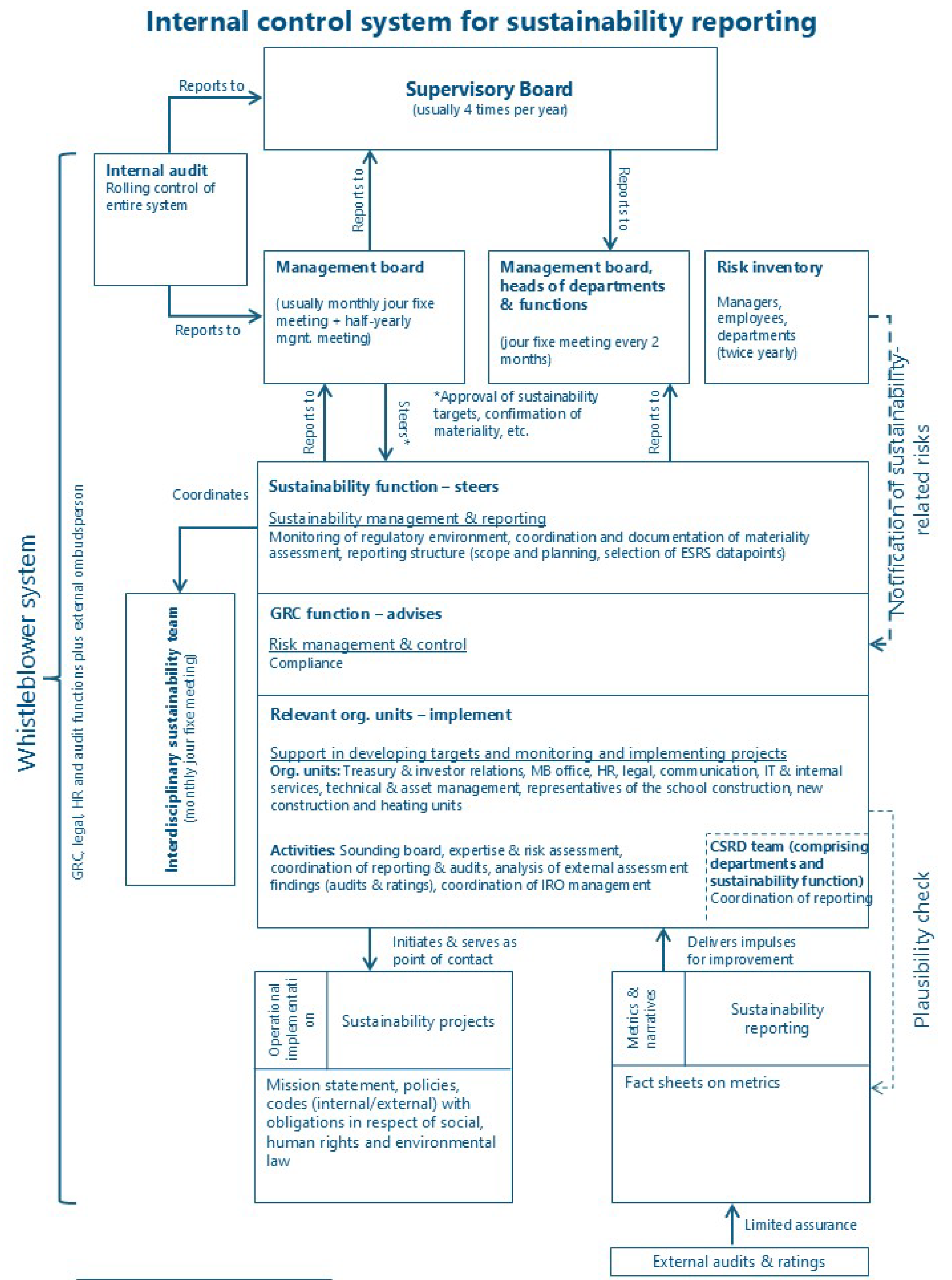
GOV-5: Risk management and internal controls over sustainability reporting

[ESRS 2 GOV-5-36] Risk management and the internal controls over sustainability reporting are based on the following processes and systems.

Internal control system

HOWOGE has implemented a group-wide internal control system (ICS) based on the model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The COSO model serves as a control system for the documentation, analysis and design of internal control systems. The internal control system for sustainability reporting also follows the three lines of defense approach of direct and indirect control and independent internal review.

The internal audit function reviews areas of sustainability management at irregular intervals, at the latest every five years. The audit reports relating to sustainability reporting are submitted to the management board and supervisory board for information.



Note: Intervals shown refer to regular schedule. Postponements and additional meetings may occur during the process.

Risk management

HOWOGE has established a group-wide risk management system. Annual risk workshops are held for managers in the context of planning targets and actions for the continuous development of risk management in the corporate governance action area. The risk management system and the risk workshops include the following elements and content in respect of sustainability reporting.

The risk management system includes the sustainability reporting risks aggregated as an individual risk in the standard risk catalog. During annual risk workshops, they are addressed and assessed on a company-wide basis by the Governance, Risk and Compliance (GRC) and sustainability functions. The individual risk is assessed as defined by the risk management process. The workshops do not prioritize the risks.

Compliance management at HOWOGE is subject to continuous development and new employees receive corresponding training. An external audit of compliance management will be performed in accordance with IDW PS 980-983 by the end of 2025. Potential inconsistencies – also in the course of sustainability reporting – can be reported to minimize risks and potential negative impacts. With the involvement of the GRC function, HOWOGE has established a whistleblower system with confidential external and internal channels – see *G1-1-10*. Actions are decided by a task force drawn from the GRC, legal, human resources and audit functions.

Risks and mitigation strategies including the associated controls

Sustainability reporting is subject to the risk that incorrect disclosures may be made due to human error or incomplete data. As a central element for ensuring the reliable recording and processing of data, the sustainability function and corresponding departments collaborated to prepare fact sheets for all metric datapoints. These have been integrated with overarching questions in a data recording handbook. This ensures the correctness and consistency of data recording and processing. The fact sheets specify the respective quantitative ESRS datapoint in respect of the following:

- Definition of the metric and its input parameters
- Recording and calculation methods
- Identification risk and mitigation of that risk
- Responsibilities for recording, controls and approvals

Key elements of risk mitigation are feedback loops and the dual control principle involving internal employees and external experts.

Estimated metrics are recorded and reported on a summary basis.

The plausibility of the fact sheets has been checked on a company-wide basis. The fact sheets are reviewed and updated in an annual process.

Involvement of internal functions and processes/internal reporting

An interdisciplinary sustainability team (made up of representatives from the GRC, financial control and data modelling, treasury &and investor relations, management office, human resources, legal, corporate communications and marketing, central procurement, processes and digitalization, technical management and asset and portfolio management functions and from the school construction, new construction and heating units) supports sustainability management in the departments and participates in preparing the sustainability report. Within the sustainability team, the reporting topics especially are clearly defined and assigned to specific people from the relevant organizational units. The sustainability team meets monthly and acts as a sounding board for the operational implementation of sustainability matters.

For sustainability reporting, a CSRD team of employees from the relevant departments was also established to process the CSRD disclosure requirements for HOWOGE (recording of metrics, development of narratives). These employees review the plausibility and consistency of the narratives and metrics in a number of feedback loops.

The sustainability and CSRD teams report to the sustainability function. This is appointed by the management board, to which it reports at regular intervals – usually monthly. A jour fixe meeting between the management board and all division and function heads is held approximately every two months to discuss the management of the company and foster intracompany dialog. This meeting usually takes place after the supervisory board meetings that are held four times a year. In 2024, it addressed the challenges of the CSRD, their significance and the project progress.

Other organizational units and departments – especially operational portfolio management, cleaning, service and audit – participated in recording and transforming metrics and in preparing narratives relating to ESRS datapoints.

Strategy

SBM-1: Strategy, business model and value chain

[ESRS 2 SBM-1-40] The most significant product and/or service offered by HOWOGE is the letting and management of affordable social housing.

HOWOGE is active in the residential real estate market in Berlin and to a very small extent in Brandenburg. The significant customer groups served are tenants and potential tenants.

As at December 31, 2024, HOWOGE had 1,352 employees (geographical area: Berlin).

The following sustainability targets were agreed in fiscal year 2024:

Target	Reference to the most important group of products/services	Reference to the most important customer categories/customer groups	Reference to the most important stakeholder relationships
We are continuing to develop our risk management.	X (real estate management)	X (tenants)	
We are continuing to develop our compliance management.		X (tenants)	X (employees)
When awarding contracts to companies, we take account of their compliance with social standards.		X (tenants)	X (employees)
We aim to consistently reduce the CO_2 intensity in our residential buildings to achieve a climate-neutral portfolio by 2045 (less than 3 kg of CO_2 per sqm per year[1]).	X (real estate management)	X (tenants)	X (tenants) X (employees)
When planning and implementing new construction and refurbishment projects, we are focusing increasingly on sustainability criteria.	X (real estate management)	X (tenants)	X (tenants) X (employees)
In new construction and refurbishment projects, we are increasing the proportion of long-lasting renewable raw materials and recycled materials.	X (real estate management)	X (tenants)	
We are working consistently to reduce our consumption of resources and waste and to implement circular economy processes.	X (real estate management)	X (tenants)	X (tenants)
Each year, we ensure the availability of more affordable housing in Berlin by way of acquisition and/or new construction.	X (real estate management)	X (tenants)	X (tenants)
We foster long-term satisfaction, security and social cohesion in our neighborhoods.	X (real estate management)	X (tenants)	X (tenants)
We want to be perceived as an attractive and pioneering employer.		X (tenants) X (potential tenants)	X (employees)
We are working consistently to develop our digital infrastructure in order to facilitate flexible and collaborative working by our employees.		X (tenants) X (potential tenants)	X (employees) X (tenants)

[1] For heating and hot water

The situation on Berlin's housing market is tight. The sustainability target of ensuring socially responsible rents contributes to enabling the provision of affordable housing. HOWOGE strengthens neighborhoods through the target "We foster long-term satisfaction, security and social cohesion in our neighborhoods." HOWOGE's significant customer groups are tenants and potential tenants. The 2024 sustainability targets related to the most important customer groups:

- Each year, we ensure the availability of more affordable housing in Berlin by way of acquisition and/or new construction.
- We foster long-term satisfaction, security and social cohesion in our neighborhoods.
- We are working consistently to develop our digital infrastructure in order to facilitate flexible and collaborative working by our employees.

These targets directly address our customer groups and contribute to:

- Creating socially acceptable housing for a broad sector of the population
- Strengthening social cohesion in the neighborhoods
- Further developing barrier-free communication with tenants

The table shows the elements of the corporate strategy coupled with the IROs and sub-topics (in brackets) they affect or which affect the elements of the strategy.

Element of the corporate strategy	IROs (and sub-topics) affected by the elements or which affect the elements
Portfolio management strategy – environment	Investments in renewable energy (energy)
Portfolio management strategy – economic responsibility	Maintenance (resource outflows related to products and services)
Property management strategy – employee satisfaction and employer branding	General working conditions (working conditions (own workforce))
Social commitment	Social cooperation and donation projects (communities’ economic, social and cultural rights; social commitment in the neighborhoods)
Portfolio management strategy – economic responsibility	Overall rent structure (social inclusion of consumers and/or end-users; socially responsible rents)
Growth strategy – portfolio planning	Commercial mix (communities’ economic, social and cultural rights)
Portfolio management strategy – economic responsibility	Letting to holders of a certificate of eligibility for public housing (social inclusion of consumers and/or end-users; socially responsible rents)
Property management strategy – customer satisfaction and IT platform digitalization	Barrier-free communication (social inclusion of consumers and/or end-users)
Property management strategy – customer satisfaction and IT platform digitalization	Proactive communication (information-related impacts on consumers and/or end-users)

The main challenge in the future is the compatibility of the socially responsible development of rents in Berlin with the implementation of climate and environmental protection targets.

The main solutions or projects that are planned which are relevant to sustainability reporting are:

Socially responsible development of rents

Socially responsible rents are designed to meet the affordability promise of the cooperation agreement by way of a socially differentiated rent policy, consideration of the differing economic capacity of households and the economic capacity of municipal housing companies.

Implementation of climate and environmental protection targets

In order to achieve the climate target, a climate strategy has been developed and three levers identified for its implementation. Wherever possible, HOWOGE itself implements the three levers of the decarbonization roadmap: energy optimization, innovative system technology and switching to greener forms of energy. HOWOGE has only a limited influence on the greening of district heating and is developing options for action in relation to this challenge.

[ESRS 2 SBM-1-42]

Business models

HOWOGE's two business models are:

- Letting residential units in the low-price segment of Berlin's housing market, focusing on the district of Lichtenberg and prefabricated high-rise buildings
- Constructing residential real estate to manage itself and constructing schools that are then let on behalf of the State of Berlin

Input

To implement its business models:

- HOWOGE uses means of production, products and services to construct new buildings, refurbish existing buildings and manage buildings, for example, engineering services from general engineering and construction contractors.
- The company's employees structure and implement the letting and portfolio management processes and manage the tender process and implementation of the engineering and construction services, other activities by HOWOGE and concomitant commercial processes.

Approach to gathering, developing and securing these inputs

Means of production and products/services: HOWOGE's procurement and contract award processes are based on the provisions of public procurement law. The tender documents prioritize the criteria for and quality of the necessary means of production and resources. In 2024, HOWOGE introduced the central procurement function in order to manage its suppliers more efficiently.

Employees

Central topics for HOWOGE are a family-friendly HR policy (e.g., regular auditing by "audit berufund-familie" since 2014, support for various challenging life situations from pme Familienservice Gruppe, mobile and part-time working options and sabbaticals), personnel development and the recruitment of talents.

Outputs: Outcomes in terms of current and expected benefits for customers, investors and other stakeholders

In essence, HOWOGE offers residential units that can be rented by tenants. The expected customer benefit is affordable housing. This is achieved by meeting the affordability promise of the cooperation agreement. In what is currently a tight housing market, HOWOGE ensures socially responsible rents for a broad sector of the population.

As part of the School Construction Program, HOWOGE provides schools (new construction and refurbishment) to Berlin's districts. The expected and current customer benefit is that schools are provided in accordance with the Assessment System for Sustainable Building (BNB).

Investors

The expected and current benefit for investors is that HOWOGE has a stable business model, cash flows and financing requirements, thus ensuring a stable return.

Other stakeholders

The State of Berlin is the shareholder of HOWOGE and a key stakeholder. As a municipal undertaking, HOWOGE acts on behalf of the State of Berlin to provide affordable housing and neighborhoods that deliver quality of life. In the context of Berlin's School Construction Program, HOWOGE refurbishes and builds schools on behalf of the State of Berlin.

The main features of the upstream and downstream value chain and the undertaking's position in its value chain

HOWOGE's value chain consists of direct and indirect business partners.

Direct business partners in the upstream value chain are often the general construction and engineering contractors that manage and implement complex projects. The general construction and engineering contractors use materials and raw materials in construction projects. HOWOGE usually engages package service providers for maintenance and minor repairs. For its heating supply, HOWOGE obtains district heating from its district heating suppliers (approx. 80% of the heating supply for its portfolio).

As the consumers and end-users in the downstream value chain, HOWOGE has identified individuals and organizations either as tenants and potential tenants (consumers) or as people who live or work (end-users) in HOWOGE'S buildings (see *S4-SBM-3-10*). The direct business partners in the downstream value chain are mainly tenants. The downstream value chain also includes the disposal of means of production and waste. In some instances, this is performed by the general construction and engineering contractors; in other instances, HOWOGE directly engages landscaping, cleaning and disposal companies.

HOWOGE's business activities in the value chain are located between the upstream and downstream value chain. HOWOGE utilizes the available inputs economically to ensure that its portfolio is habitable and suitable for letting (output). In accordance with the affordability promise of the cooperation agreement, HOWOGE ensures socially responsibly rents (output). HOWOGE's core business is managing its portfolio of residential units. This is supported by additional activities such as the construction and acquisition of real estate and heating supply.

Description of the main business actors and their relationship to the undertaking

The supply of water and heating and the disposal of waste are essential to operating real estate. HOWOGE engages suppliers to provide these public services. The main upstream business actors with which HOWOGE has a relationship in relation to new construction and refurbishment include general engineering and construction contractors engaged by HOWOGE. The main downstream business actors are HOWOGE's tenants. HOWOGE concludes rental agreements with its tenants.

SBM-2: Interests and views of stakeholders

[ESRS 2 SBM-2-45a] HOWOGE considers the interests and views of its stakeholders in developing the strategy and business model in respect of all material topics.

The main stakeholder groups are as follows:

- Tenants
- Residents of neighborhoods
- Employees
- State of Berlin
- Parliaments, district and local politicians
- Local authorities
- Industry associations
- Investors
- Urban society
- Tenants' council and tenants' advisory boards
- Institutions and public facilities In particular, those stakeholders associated with social issues play a central role in the context of developing the strategy and business model. Below is an overview of the main stakeholders associated with these social issues.

Own workforce

[S1-SBM-2-12] Employee satisfaction is a central issue for HOWOGE. Therefore, HOWOGE considers the interests and views of its employee via the following formats:

- The interests and views of employees are integrated into HOWOGE's strategy and business model via the works council – one of the workers' representation bodies.
- Employees are able to express their interests in the employee survey that is conducted every two years. Their interests and needs are assessed internally and necessary actions developed accordingly.

Affected communities

[S3-SBM-2-7] As a long-term property holder and municipal housing company with a social mandate, HOWOGE is committed to sustainable neighborhood development, giving consideration to the interests, views and rights of the affected communities in its corporate strategy and business model. HOWOGE's affected communities are individuals and organizations who/that are not tenants or potential tenants but live in or adjacent to neighborhoods in which HOWOGE's portfolio properties are located. On the basis of this definition, HOWOGE's main stakeholders are the following: customers, residents, business operators, representatives of the respective district and its authorities, other undertakings owned by the State of Berlin, companies/individuals with an interest in business offers, affected communities and the parents of school students.

HOWOGE's customers are the focus of activities initiated by HOWOGE. However, social facilities and neighborhood actions also benefit the affected communities. Cooperations and regular dialog with stakeholders in the neighborhoods via neighborhood or stakeholder councils form the basis for developing coordinated actions. Neighborhood analyses are used to identify target groups and justify the use of resources. Participatory activities such as tenants' afternoons and volunteering management foster dialog and active collaboration in shaping the environment.

By developing commercial units, HOWOGE aims to contribute to creating attractive neighborhoods that deliver quality of life. The goal of the corporate strategy is to create a mix tailored to a neighborhood's needs that is actively used by its residents. At the same time, the neighborhoods should offer business operators opportunities to meet the neighborhoods' needs for services, restaurants, leisure activities, retail outlets, social, cultural and medical facilities and all kinds of advisory services. The interest groups here are the residents, existing business operators, representatives of the respective district and its authorities, other undertakings owned by the State of Berlin and companies/individuals with an interest in business offers.

HOWOGE mainly responds to the needs of residents – with a focus on is own tenants – via its employees in the neighborhoods such as janitors or neighborhood assistants and the social management team. Existing business operators share their needs with HOWOGE directly via telephone, email or in person. The company is in contact with the district authorities regarding specific issues related to rental properties or rentals to social organizations (supported housing in shared apartments for various target groups as well as social meeting points and offerings). Sometimes this route may be used to communicate rental searches by commercial tenants in other properties. These are reviewed and, depending on availability, may result in a rental. The company also maintains a dialog with the Lichtenberg youth services regarding childcare capacities and the establishment of childcare facilities by HOWOGE. In respect of rental searches by the State of Berlin or the management of existing agreements, the company coordinates with Berliner Immobilienmanagement GmbH (BIM) and the State Office for Refugee Affairs (LAF).

HOWOGE may consider the interests, views and rights of the aforementioned groups in its strategy and business model if their needs do not compete with the existing commercial mix in a neighborhood, the necessary space with suitable equipment is available at appropriate conditions and there is a resulting benefit for the neighborhood over and above the interest of the specific group.

When it comes to new housing construction projects, HOWOGE prioritizes the inclusion of the affected communities and relevant stakeholders. The company follows the guidelines for participation in new housing construction developed in 2017 by Berlin's housing companies in collaboration with representatives from government, local authorities, business and society. The guidelines cover principles, formats and quality criteria for informal participation in new housing construction projects and were last reviewed in 2019. Participation is invited for each new construction project. Depending on the project, the informal participation process is assigned to a participation level (information, consultation, active contribution, codecision-making), category and scope. Affected communities are invited to on-site consultations, information events and workshops to advocate for their interests, views and rights. HOWOGE offers these events voluntarily on an informal basis during the planning and construction process. The interests and views of affected communities are reviewed and considered in new construction projects.

HOWOGE has been engaged by the State of Berlin to construct new schools and refurbish existing schools. The interests and views of students' parents and neighboring residents in respect of school construction do not explicitly inform HOWOGE's corporate strategy. Nevertheless, their interests, views and rights are considered in respect of specific projects. For the construction of new school buildings as part of Berlin's School Construction Program, the School Quality working group defined requirements for opening the schools to use by the neighborhood, thus creating added value for the neighborhood. Moreover, the guidelines for participation in school construction apply for all stakeholders in the School Construction Program – see *S3-SBM-3-9*.

Respecting the human rights of the affected communities is also part of HOWOGE's corporate strategy and an aspect of the company-wide business model – See *S3-3, S3-1-16* and *S3-1-17*.

Consumers and end-users

[S4-SBM-2-8] Tenants' interests are a permanent aspect of HOWOGE's corporate strategy. A continuous dialog with tenants takes place primarily in the customer centers but also via the tenants' council and the tenants' advisory boards in the individual neighborhoods. After identifying tenants' needs, these are communicated to the appropriate service team at HOWOGE's customer centers or, in the case of cross-cutting topics, to the head of operational portfolio management for action.

The tenants' council holds regular meetings and consultations, the dates of which are communicated to tenants via posters and HOWOGE's website. All tenants of one of Berlin's housing companies have the right to speak at the tenants' council on all matters except the rights and obligations relating to individual rental agreements. The members of the tenants' council consolidate and systematize the ideas and criticism received from tenants as well as the findings and experience collected by the tenants' advisory boards. They communicate the resulting ideas and suggestions to the company with the goal of reconciling interests. In addition, the tenants' council discusses the company's planned new construction, modernization and maintenance programs, neighborhood development and community facilities, submitting an opinion to HOWOGE's management board.

If necessary, HOWOGE supports the tenants' advisory boards with, for example, training on topics such as data protection, tenancy law, operating costs and conflict management. As a matter of principle, HOWOGE sustains a dialog with all the advisory boards and prioritizes good and transparent communication on equal footing.

HOWOGE is a signatory to Germany's diversity charter (Charta der Vielfalt), thus underscoring its commitment to respecting human rights. The company treats all people equally, irrespective of their ethnic background, religion, gender, age and sexual identity. HOWOGE's letting practices are non-discriminatory, transparent and GDPR-compliant. In other words, it treats everyone with respect and complies with the statutory requirements in respect of the storage of personal data.

[ESRS 2 SBM-2-45b] HOWOGE has an understanding of the interests and views of the main stakeholders in connection with its strategy and business model. The interests and views of the main stakeholders are taken into consideration within the context of the due diligence process. They are incorporated into the materiality assessment. To this end, representatives of the main stakeholder groups are interviewed to validate the results of the materiality assessment regarding impacts – see *ESRS 2 IRO-1-53*.

[ESRS 2 SBM-2-45c] During the reporting period, no amendments were made to HOWOGE's strategy and/or business model on the basis of the incorporated interests and views of stakeholders and none are currently planned either.

[ESRS 2 SBM-2-45d] As presented in *ESRS 2-SBM-3-48*, the management board played a major role in assessing and approving the impacts, opportunities and risks. Part of the materiality assessment process was the inclusion of the interests and views of key stakeholders. The management board receives annual information about relevant developments so that it can consider the impacts in its decision-making processes, especially with regard to possible amendments to the business model, strategy and any other business-related actions – see *ESRS 2 GOV-1-22*. This process is applied equally to all key stakeholders. In 2024, the supervisory board discussed stakeholders' interests and views in the context of the materiality assessment.

SBM-3: Material impacts, risks and opportunities and their interaction with strategy and business model

[ESRS 2 SBM-3-48a-h] The materiality assessment identified the following material impacts, risks and opportunities for HOWOGE. These are located at the following points of the value chain. Time horizons are also shown:

Material impacts	Position in the value chain	Reasonably expected time horizons for effects
Corruption prevention	Own operations	Short-term
Non-discriminatory letting process	Own operations	Short-term
Overall rent structure	Own operations	Short-term
Letting to holders of a certificate of eligibility for public housing	Own operations	Short-term
Social cooperation and donation projects	Own operations	Short-term
Maintenance	Own operations	Long-term
General working conditions	Own operations	Short-term
Channels for equal treatment	Own operations	Short-term
Commercial mix	Own operations	Medium-term
Proactive communication measures	Downstream	Short-term
Barrier-free communication	Own operations	Short-term
Corporate culture values	Own operations	Short-term
Protection of whistleblowers	Own operations	Short-term
General supplier relationships	Own operations; upstream	Short-term

Material risks and opportunities	Position in the value chain
Costs and capital costs in connection with adaptation measures (risk)	Own operations
Climate regulation (risk)	Own operations
Investments in renewable energy (opportunity)	Own operations

All impacts, opportunities and risks are allocated to HOWOGE’s two business activities and business models:

Business activities (own activities and value chain)	Business models
Managing real estate	Letting residential units in the low-price segment of Berlin’s housing market, focusing on the district of Lichtenberg and prefabricated high-rise buildings; customers come from broad sectors of the population that require affordable housing
Constructing new real estate	Constructing residential real estate to manage itself; constructing schools that are then let on behalf of the State of Berlin

Current and expected effect of the material impacts, risks and opportunities on the business model

The positive material impacts of "Rent structure" and "Letting to holders of a certificate of eligibility for public housing" currently have the largest influence on HOWOGE's business model. The provisions of the cooperation agreement with the State of Berlin have the greatest effect on the business model. The effect on the business model of the risks of "Costs and capital costs in connection with adaptation measures" and "Climate regulation" are considered in the resilience analysis. No significant effect was identified.

Current and expected effect of the material impacts, risks and opportunities on the value chain

- The impacts of "Proactive communication measures" and "General supplier relationships" relate to the company's upstream and downstream value chain. The remaining impacts, risks and opportunities are found within the company. The current and expected effects of these three IROs on the value chain are assessed as low.

Current and expected effect of the material impacts, risks and opportunities on strategy and decision-making

HOWOGE is currently assessing its impacts, risks and opportunities. The management board was involved in developing and approving the impacts, opportunities and risks in the course of the materiality assessment. It is thus aware of the impacts, opportunities and risks that have been identified. The management board receives annual information about innovations and is able to consider the impacts, opportunities and risks in its decision-making in respect of possible amendments to the business model, strategy and other matters.

The relevant HOWOGE departments and the sustainability function monitor the current and expected effects of the impacts, opportunities and risks on the business model, value chain, strategy and decision-making and inform the management board if it becomes apparent that substantial amendments are necessary.

Significant changes to the actions for managing certain material impacts or risks and amendments to the strategy due to the leveraging of certain material opportunities are discussed with the management board by the relevant departments or the sustainability function. The departments hold regular jour fixe meetings with the management board to discuss strategic and operational matters.

The environmental impact is as follows:

- Predictive maintenance and refurbishment contribute to extending the building life cycle. This preserves environmental resources.

The social impacts are as follows:

- Employees have access to better working conditions and are provided with channels for equal treatment.
- Fostering collaborations with local non-profit organizations, planning commercial space to reflect a neighborhood’s needs and providing rooms for social organizations contribute to creating and developing stable and attractive neighborhoods for residents that deliver quality of life and meet future needs.
- Tenants are provided with housing at affordable conditions, in particular benefiting those with medium and low incomes. This includes letting to the holders of a certificate of eligibility for public housing
- Dedicated communication measures and a low-barrier website enhance customers’ knowledge and foster access to information and services from HOWOGE.

The governance impacts are as follows:

- HOWOGE contributes to society through its principles, corporate culture and values.
- The selection of suppliers is managed on an integrated basis to ensure predictability for all parties.
- Regular measures to raise awareness and training on corruption prevention and compliance risks can avoid incidents of corruption and protect whistleblowers.
- A non-discriminatory letting process is ensured.

All impacts are connected with the strategy and business model. The corporate strategy itself results in the following impacts: maintenance, working conditions of own workforce, social cooperation and donation projects, barrier-free communication, overall rent structure, letting to holders of a certificate of eligibility for public housing and commercial mix.

The medium- and long-term material risks and opportunities were identified and have no current financial effects on HOWOGE’s financial position, financial performance and cash flows. Moreover, for the next reporting period, HOWOGE does not expect any significant risk of a material adjustment of the carrying amounts of the assets recognized in the financial statements and the associated liabilities in connection with the material risks and opportunities. Every six months, HOWOGE analyzes its risk-bearing capacity by considering the financial impacts of the material risks and opportunities on the company’s financial position, financial performance and cash flows. To date, these analyses have shown sufficient reserves to cover the material risks identified by the materiality assessment. The occurrence of a risk reduces the risk-bearing capacity. If an opportunity occurs, the risk-bearing capacity increases and the financial performance improves.

HOWOGE has performed a climate-related risk analysis and a climate-related resilience analysis – see *E1-SBM-3*. All HOWOGE's material risks and opportunities are climate-related and are described in the climate-related risk analysis – see *ESRS-2-IRO-1*.

Changes compared with the previous reporting period were not considered because this report was prepared for the first time for fiscal year 2024.

All impacts, risks and opportunities named in the report fall under the ESRS disclosure requirements. They are supplemented by the HOWOGE-specific impacts of "Letting to holders of a certificate of eligibility for public housing" and "Social cooperation and donation projects." Moreover, entity-specific disclosures are used for the aforementioned impact of "Maintenance" – see *E5-5*.

Management of impacts, risks and opportunities

IRO-1: Description of the processes to identify and assess material impacts, risks and opportunities

[ESRS 2 IRO-1-53a-h] The double materiality assessment is used to identify and assess the material impacts, risks and opportunities. This was applied for the first time in 2024 for all sustainability matters at the sub-topic level. The process encompasses four steps that are explained below:

- Context analysis
- Preparation of an inventory of potential and actual impacts (I), risks (R) and opportunities (O)
- Assessment of the IROs
- Validation of the results

No other methods and assumption were applied.

The first step of the materiality assessment was a context analysis of HOWOGE's business activities. The following activities were identified as relevant: letting and management of residential units, construction of new residential buildings and schools, project planning and support, supply of heating, hot water and electricity.

In the next step, an inventory of actual and potential impacts, risks and opportunities was prepared at the sub-topic level for all sustainability matters contained in ESRS 1 AR 16. Risks and opportunities were formulated on the basis of the impacts. The appropriateness and completeness of the inventory was analyzed by the relevant departments, resulting in adjustments and additions. In order to obtain an overall picture of HOWOGE's potential and actual impacts on people and the environment, the focus was placed on specific activities, business relationships, geographical conditions or other factors that might result in an increased risk of unfavorable impacts. Due to the small size and homogeneous nature of the area of operation (Berlin and Brandenburg only), regional factors were not considered in preparing the inventory of IROs or the subsequent assessment.

The double materiality assessment covers the impacts, risks and opportunities of business relationships in the upstream and downstream value chain as well as HOWOGE's own area of operation. The respective stage in the value chain was assigned to each IRO in the inventory, alongside an estimation of the time horizon – i.e., whether short-term, medium-term or long-term.
Internal stakeholders were included in preparing, finalizing and assessing the IRO inventory. Representatives of the external stakeholders affected were interviewed to validate the provisional findings of the assessment and the prioritization of the impacts.

Following finalization of the IRO inventory, the relevant departments (stakeholders) assess the severity and probability of each individual impact and the level of the financial effect and probability of each individual risk and opportunity. The severity of negative impacts is based on the individual quantitative assessment of extent, scope and irreversibility on a predefined scale. This assessment was not applied to positive impacts. The probability of actual impacts and risks is assessed at the maximum value of a predefined scale of probability.

The IROs were prioritized using a resultant value from the assessments. In the case of impacts, the severity was determined as the average of the individual criteria assessed, multiplied by the value for the probability. In the case of impacts relating to human rights that were identified in advance, the severity was given a higher weighting in determining the resultant value. In the case of risks and opportunities, the resultant value was determined by multiplying the assessment of the financial effect and the probability. If an IRO has been assessed by several people, an average of the resultant values is calculated for further prioritization.

In order to use these resultant values for determining which sustainability matters at the sub-topic level are material for reporting, the maximum resultant values for the allocated IROs were first defined. Based on these maximum values, the sub-topics were then listed according to the effects, risks and opportunities.
A quantitative threshold was then applied for impacts on the one hand and risks and opportunities on the other hand. The threshold is greater than 3.5 for impacts and greater than 2.5 for opportunities and risks. There were no other criteria. Sub-topics with a maximum value above this threshold were deemed material. Other sub-topics with a maximum value below the threshold but still within a predefined range were considered separately in the validation. Sub-topics with a maximum value below this range were deemed non-material.

HOWOGE does not prioritize sustainability risks over other types of risk.

Decision-making was validated and controlled internally at several stages of the double materiality assessment. For example, when preparing the IRO inventory, the departments were asked to add the missing IROs. All assessments of the IROs were reviewed by the sustainability function for their consistency with the qualitative justifications and their plausibility. The outcome of prioritizing the sustainability matters at the sub-topic level was discussed with the sustainability team in a workshop. In particular, it addressed the range topics, taking account of the findings of the stakeholder interviews conducted in advance to validate the impacts. The workshop also discussed the appropriateness of the thresholds. In the last step, the results of the double materiality assessment were validated and approved by the management board.

The methods of HOWOGE's risk management process were used as the basis for identifying, assessing and managing impacts and risks. For the most part, the risk management assessment scale (e.g., the extent of losses) was used to assess the IROs. The assessment of probability in the materiality assessment differs from that in risk management because it is not substantially dependent on time (short-term, medium-term, long-term). In assessing the risks and opportunities, the GRC function checked the plausibility of all the assessments performed by the departments and adjusted the assessments that conflicted with those in the risk catalog. The material risks identified by the materiality assessment are also included in the HOWOGE risk catalog. As well as minimizing risks, HOWOGE's risk management system is intended to help leverage opportunities. Work is ongoing to further integrate the process into the overall risk management process.

In preparing the IRO inventory, the public data sources used included reports from the World Wide Fund for Nature (WWF), the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection, the Federal Environment Agency, the Federal Ministry for Economic Affairs and Climate Action, CDP, MVO Nederland, the OECD and the ESRS. These are studies or articles that deal with the sub-topics. The HOWOGE risk catalog and sustainability report were also used as sources for formulating the IROs.

As the report was prepared for the first time for 2024, there were no process modifications compared with the prior reporting period. For this reason, the process has not yet been changed. The materiality assessment is validated annually in the summer of the reporting year.

Processes to identify and assess risks

Group-wide risk management

[E1-IRO-1-20, 21] HOWOGE has a group-wide risk management system (RMS) covering all actions that ensure the early identification, assessment and targeted management, monitoring and documentation of all risks of relevance to the Group. It is a central element of corporate management and ensures consideration of all material risks that pose a threat to the portfolio. The core element of the RMS is HOWOGE's risk strategy – see *Group risk policy*. To ensure entrepreneurial success, it is necessary to detect opportunities and identify and assess the associated risks. Opportunities should be leveraged in an optimal way and entrepreneurial risks accepted in a conscious and responsible manner and managed proactively if this makes it possible to achieve an adequate increase in value. Risks that pose a threat to the portfolio are to be avoided. The GRC function is responsible for the coordination and monitoring of the RMS, the organization of the workflows and the methods. The organizational structure that has been implemented and regular consultation (risk inventory as at June 30 and workshops on December 31) with the departments, audit and controlling and data modelling facilitate a uniform, transparent, systematic and continuous process. This satisfies all the requirements for identifying, analyzing, assessing, managing, documenting and communicating risks. The existing RMS is subject to a continuous development and optimization process to adapt it to new internal and external conditions. In 2023, to ensure coordinated management and holistic consideration of the associated requirements, the RISK (risk management, data protection, IT/information security) and compliance and values functions were merged to form the GRC function. This supports the rapid identification and holistic assessment of (potential) risks. The synergy effects allow the more efficient and comprehensive identification and assessment of risks.

Since 2021, we have also examined the impact of non-financial sustainability risks on HOWOGE's risk situation (outside-in perspective). These are reviewed, analyzed and assessed every six months on the basis of risk inventories. In 2024, the risk workshops examined specific transition risks. Over the next three years, HOWOGE is planning to identify transition and other physical risks and, if necessary, to add them to the risk catalog and expand them successively. There are no separate plans to identify emission sources because these are known.

Climate-related risk and vulnerability analysis

In respect of the EU Taxonomy, HOWOGE performed a site-specific climate risk analysis/climate vulnerability assessment. On the basis of scientific data and climate scenarios RCP 2.6, RCP 4.5, RCP 6.0 and RCP 8.5, we analyzed the potential climate risks for the buildings in the HOWOGE portfolio from the current climate (2011–2030) and the future climate (2031–2050). Application of RCP 8.5 revealed nine minor risks and one medium risk, none of which poses a threat to the portfolio. The results were documented and included in risk management work (*see E1-SBM-3-19*).

Materiality assessment

Climate-related risks were also identified and assessed as part of HOWOGE's materiality assessment. The process used to identify and assess the material climate-related impacts, risks and opportunities is the double materiality assessment described above. The risk catalog and the results of the climate-related risk and vulnerability analysis (CRVA) were considered in preparing the inventory of climate-related risks. HOWOGE's GHG emissions were also included.

The material climate-related risks identified by the materiality assessment are also covered by the risk catalog that is part of HOWOGE's risk management process.

Identifying climate-related hazards and transition events

[E1-IRO-1-20] As a starting point for HOWOGE's resilience analysis (see *E1-SBM-3-19*) climate risks and transition events were identified and assessed and used as the basis for defining physical climate-related risks and climate-related transition risks and opportunities (resilience analysis see *E1-SBM-3-19, E1-IRO-1-20bi-ii*). The company's own operations and the associated value chains were considered in identifying the climate-related risks and opportunities.

The following process was used to determine the climate risks and the exposure of assets and business activities.

[E1-IRO-20b, AR 11a] In 2022, the anticipated climate risks were determined by a service provider in a climate risk and vulnerability analysis in accordance with the EU Taxonomy Regulation. Scenario RCP 8.5 was applied. At that time, the review of the extent to which assets and business activities are affected was performed for the management of real estate activity. This report was again used as the basis for reviewing the impact on the new construction activity in 2024. In both cases, experts from the relevant HOWOGE organizational units were consulted.

[E1-IRO-20b, AR 11b] HOWOGE applies different time horizons in its management tasks. In the case of risk management, they are short-term (less than one year), medium-term (one to five years) and long-term (more than five years). The planning period for long-term corporate planning is ten years. The budget year is one year. The trend (forecast) is prepared monthly in respect of the current business year.

Climate scenarios are often based on different analysis periods than those customary in business.[6] The assessment of the IPCC climate scenarios by an external service provider was based on the current climate (2011 to 2030) as the starting point in order to make statements about the possible future climate (2030 to 2050). Climate science considers 2030 to 2050 as the near future (medium– term). For this reason, only medium-term climate risks and no long-term climate risks (2070 to 2100) were determined. There is no correlation between the time horizons and the expected lifetimes of the assets and capital cost plans.

[E1-IRO-20b, AR 11c] The service provider identified the climate risks for the City of Berlin. No geographical coordinates were applied when assessing the climate risks in the supply chain. Instead, the climate impact and risk assessment for Germany was used. Depending on the scenario, the probability of the climate risks occurring is given. Information about the duration and scope of the potential risks are only available in certain cases (e.g., heatwave).

[6] Loew et al. (2024): Management von Klimarisiken in Unternehmen: Grundlagen, Anleitungen, Stand der Praxis und Empfehlungen, Umweltbundesamt (Federal Environment Agency), Climate Change series, 04/2024

[E1-IRO-20b, AR 11d] Climate risks are determined on the basis of IPCC RCP 8.5 and a related regional climate projection. No explicit assessment of the exposure was performed.

Transition events and compatibility with a climate-neutral economy

[E1-IRO-1-20ci, AR 12a] In determining the transition risks and opportunities (transition risks and opportunities in accordance with ESRS E1), transition trends and events from the IPCC SSP1-2.6 scenario and the International Energy Agency (IEA NZE) Net-Zero-Transition-scenario were used. In addition, current and planned climate policy measures in Germany and Europe were considered. To ensure comparability with the analysis of the physical climate risks, the scenario analysis of the transition climate risks and opportunities was based on the same period, i.e., 2030 to 2050. The assessment of the transition climate risks and opportunities related to the entire period; no distinction was made between the short, medium and long terms. The assessment was performed by the sustainability function with external support.

[E1-IRO-1-20cii, AR 12b-c] The assessment of the potential vulnerability of assets and business activities to the transition events identified was performed by HOWOGE experts. The IEA NZE climate scenario that was used among others is prescribed by standard. No probabilities are given for the transition trends and events named therein. However, an estimation was made of the probable financial consequences for HOWOGE should a transition event occur. In addition to the transition risks, one transition opportunity was identified. However, this was classified as low.

No assets or business activities were identified that were not compatible with the transition to a climate-neutral economy or which would require significant effort to make them compatible with the transition to a climate-neutral economy.

Scenarios, drivers, time horizons

[E1-IRO-1-20bi, ci, AR 11d, 12c, 13a, E1-IRO-1-21] Scenarios IPCC SSP3-7.0, IPCC RCP 8.5, IPCC SSP1-2.6 and IEA NZE were used. HOWOGE is not aware of any information that indicates a need to adjust the scenarios to reflect a more recent state of the art for the purpose of the analyses performed.

[E1-IRO-1-AR 13b] The IPCC SSP1-2.6 and IEA NZE scenarios used represent an ambitious climate policy. The IEA NZE scenario is compatible with the 1.5-degree target of the Paris Agreement. Scenarios IPCC SSP3-7.0 and IPCC RCP 8.5 represent a future with extreme climate change. Thus, the full range from extreme climate change mitigation to extreme climate change is covered.

[ESRS-IRO-1-AR 13c-d] HOWOGE did not address the drivers and data inputs from the authors that underpin the scenarios. In principle, HOWOGE considers that such scenarios represent only one of various possible futures. The occurrence of the events and trends described there is not certain.

[ESRS-IRO-1-AR 15] The current annual financial statements are not based on any critical climate-related assumptions.

Climate-related scenarios were used in the CRVA and resilience analysis – see *Climate-related risk and vulnerability analysis* and *E1-SBM-3-19, Resilience analysis*.

[E2-IRO-1-11, E3-IRO-1-8, E5-IRO-1-11, E4-IRO-1-17-19] The double materiality assessment described above is used to determine the material impacts, risks and opportunities in connection with the non-material topics of pollution, water and marine resources and biodiversity and ecosystems and with the material topic of resource use and circular economy. There was no further assessment of the sites, assets, business activities and value chain using methods or instruments and no assumptions were made. No further consultations were performed in respect of the non-material topics of pollution and water and marine resources.

In respect of biodiversity and ecosystems, there was no identification and assessment of the actual and potential impacts, dependencies, transition risks and physical risks and opportunities at the company's own sites and in the upstream and downstream value chain other than the preparation of the IRO inventory as described above. Affected communities were not consulted in respect of sustainability assessments of jointly used biological resources and ecosystems. At its site and in the construction of new buildings, HOWOGE complies with all biodiversity and conservation provisions of the Federal Nature Conservation Act, Berlin's Nature Conservation Act and the statutory instruments based thereon.

2024 HOWOGE performed the following consultations in respect of the topic of resource use and circular economy.

Format	Consulted group	Examples
1. Research projects	Employees, research partners, general engineering contractors, general construction contractors	Research projects: Construction with prefabricated elements made from infra-lightweight concrete (ILC) (Detlevstrasse); GreeNest (Alfred-Kowalke-Strasse)
2. Planning rounds (cross-project dialog with presentations and discussion of, e.g., topics relevant to circularity in advance of construction planning)	Employees, advisory board, general engineering contractors	Regular meeting of general engineering contractors organized by HOWOGE, participation of advisory board members at jury meetings during the planning phase of new construction projects
3. Workshops	Employees, experts	E.g. concerning windows, sanitary fitting or doors
4. Internet presence	Stakeholders, affected communities – for HOWOGE's context defined as residents who are not tenants and neighbors	Urban timber construction, Mühlengrund, Johannisgärten, Bahrfeldstrasse

The school construction unit does not consult affected communities on the topic of the circular economy. On behalf of the State of Berlin, HOWOGE acts as the construction service provider in refurbishing and constructing schools. All actions and obligations (consultation and information for affected communities) outside the boundaries of the development plot are the responsibility of the respective district. In the case of school construction, participation in the form of consultation, information and engagement is restricted to the school's equipment and thus to the school community as the main user group and possibly non-school user groups such as sports clubs.

[G1-IRO-1-6] The double materiality assessment was also used to determine the material impacts, risks and opportunities in connection with the corporate policy as described in *ESRS-2-IRO-1-53*. The following criteria were considered:

- Location: Berlin
- Activity: Letting of residential and commercial real estate
- Sector: Housing industry

IRO-2: Disclosure requirements in ESRS covered by the undertaking's sustainability statement

[ESRS 2 IRO-2-56]

Table 1

Disclosure requirement		Description	Reference to section
ESRS E1 Climate change			
ESRS-E1	1	Transition plan for climate change mitigation	*E1-1*
ESRS-E1	2	Policies related to climate change mitigation and adaptation	*E1-2*
ESRS-E1	3	Actions and resources in relation to climate change policies	*E1-3*
ESRS-E1	4	Targets related to climate change mitigation and adaptation	*E1-4*
ESRS-E1	5	Energy consumption and mix	*E1-5*
ESRS-E1	5	Energy intensity based on net revenue	*E1-5*
ESRS-E1	6	Gross Scopes 1, 2, 3 and Total GHG emissions	*E1-6*
ESRS-E1	6	GHG intensity based on net revenue	*E1-6*
ESRS E5 Resource use and circular economy			
ESRS-E5	1	Policies related to resource use and circular economy	*E5-1*
ESRS-E5	2	Actions and resources related to resource use and circular economy	*E5-2*
ESRS-E5	3	Targets related to resource use and circular economy	*E5-3*
ESRS-E5	5	Resource outflows	*E5-5*
S1 Own workforce			
ESRS-S1	1	Policies related to HOWOGE's workers	*S1-1*
ESRS-S1	2	Processes for engaging with HOWOGE's own workers and workers' representatives about impacts	*S1-2*
ESRS-S1	3	Processes to remediate negative impacts and channels for own workers to raise concerns	*S1-3*
ESRS-S1	4	Taking action on material impacts on HOWOGE's own workforce, and approaches to managing material risks and pursuing material opportunities related to the company's own workforce, and effectiveness of those actions	*S1-4*
ESRS-S1	5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	*S1-5*
ESRS-S1	6	Characteristics of the undertaking's employees	*S1-6*
ESRS-S1	10	Adequate wages	*S1-10*
ESRS-S1	11	Social protection	*S1-11*
ESRS-S1	16	Compensation metrics (pay gap and total compensation)	*S1-16*
ESRS-S1	17	Incidents, complaints and severe human rights impacts	*S1-17*

Disclosure requirement		Description	Reference to section
ESRS S3 Affected communities			
ESRS-S3	1	Policies related to affected communities	*S3-1*
ESRS-S3	2	Processes for engaging with affected communities about impacts	*S3-2*
ESRS-S3	3	Processes to remediate negative impacts and channels for affected communities to raise concerns	*S3-3*
ESRS-S3	4	Taking action on material impacts on affected communities, and approaches to mitigating material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions	*S3-4*
ESRS-S3	5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	*S3-5*
ESRS S4 Consumers and end-users			
ESRS-S4	1	Policies related to consumers and end-users	*S4-1*
ESRS-S4	1	Processes for engaging with consumers and end-users about impacts	*S4-2*
ESRS-S4	2	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	*S4-3*
ESRS-S4	3	Taking action on material impacts, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions and approaches	*S4-4*
ESRS-S4	4	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	*S4-5*
ESRS G1 Business conduct			
ESRS-G1	1	Business conduct policies and corporate culture	*G1-1*
ESRS-G1	2	Management of relationships with suppliers	*G1-2*
ESRS-G1	3	Prevention and detection of corruption or bribery	*G1-3*
ESRS-G1	4	Confirmed incidents of corruption or bribery	*G1-4*
ESRS-G1	6	Payment practices	*G1-6*

Table 2

Datapoints listed in Appendix B to ESRS 2	Reference to section
ESRS 2 GOV-1 Board's gender diversity, paragraph 21 (d)	*GOV-1*
ESRS 2 GOV-1 Percentage of board members who are independent, paragraph 21 (e)	*GOV-1*
ESRS 2 GOV-4: Statement on due diligence, paragraph 30	*GOV-4*
ESRS 2 SBM-1 Involvement in activities related to fossil fuels, paragraph 40 (d)) i	n/a
ESRS 2 SBM-1 Involvement in activities related to chemical production, paragraph 40 (d) ii	n/a
ESRS 2 SBM-1 Involvement in activities related to controversial weapons, paragraph 40 (d) iii	n/a
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco, paragraph 40 (d) iv	n/a
ESRS E1-1 Transition plan to reach climate neutrality by 2050, paragraph 14	n/a
ESRS E1-1 Undertakings excluded from the Paris-aligned Benchmarks, paragraph 16 (g)	n/a
ESRS E1-4 GHG emission reduction targets, paragraph 34	*E1-4*
ESRS E1-5 Energy consumption from fossil fuels disaggregated by sources (only high climate impact sectors), paragraph 38	*E1-5*
ESRS E1-5 Energy consumption and mix, paragraph 37	*E1-5*
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors, paragraphs 40 to 43	*E1-5*
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions, paragraph 44	*E1-6*
ESRS E1-6 Gross GHG emissions intensity, paragraphs 53 to 55	*E1-6*
ESRS E1-7 GHG removals and carbon credits, paragraph 56	Not material
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks, paragraph 66	Phase-in

Datapoints listed in Appendix B to ESRS 2	**Reference to section**
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk, paragraph 66 (a) ESRS E1-9 Location of significant assets at material physical risk, paragraph 66 (c).	Phase-in
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes, paragraph 67, lit. c	Phase-in
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities, paragraph 69	Phase-in
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Not material
ESRS E3-1 Water and marine resources, paragraph 9	Not material
ESRS E3-1 Dedicated policy, paragraph 13	Not material
ESRS E3-1 Sustainable oceans and seas, paragraph 14	Not material
ESRS E3-4 Total water recycled and reused, paragraph 28 (c)	Not material
ESRS E3-4 Total water consumption in cbm per net revenue on own operations, paragraph 29	Not material
ESRS 2 – SBM 3 – E4, paragraph 16 (a) i	Not material
ESRS 2 – SBM 3 – E4, paragraph 16 (b)	Not material
ESRS 2 – SBM 3 – E4, paragraph 16 (c)	Not material
ESRS E4-2 Sustainable land/agriculture practices or policies, paragraph 24 (b)	Not material
ESRS E4-2 Sustainable oceans/seas practices or policies, paragraph 24 (c)	Not material
ESRS E4-2 Policies to address deforestation, paragraph 24 (d)	Not material
ESRS E5-5 Non-recycled waste, paragraph 37 (d)	Not material
ESRS E5-5 Hazardous waste and radioactive waste, paragraph 39	Not material
ESRS 2 SBM-3 S1 Risk of incidents of forced labor, paragraph 14 (f)	Not material
ESRS 2 SBM-3 S1 Risk of incidents of child labor, paragraph 14 (g)	Not material
ESRS S1-1 Human rights policy commitments, paragraph 20	*S1-1*
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labour Organization Conventions 1 to 8, paragraph 21	*S1-1*
ESRS S1-1 Processes and measures for preventing trafficking in human beings, paragraph 22	Not material
ESRS S1-1 Workplace accident prevention policy or management system, paragraph 23	Not material
ESRS S1-3 Grievance/complaints handling mechanisms, paragraph 32 (c)	*S1-3*
ESRS S1-14 Number of fatalities and number and rate of work-related accidents, paragraph 88 (b) and (c)	Not material
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness, paragraph 88 (e)	Not material
ESRS S1-16 Unadjusted gender pay gap, paragraph 97 (a)	*S1-16*
ESRS S1-16 Excessive CEO pay ratio, paragraph 97 (b)	*S1-16*
ESRS S1-17 Incidents of discrimination, paragraph 103 (a)	*S1-17*
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD guidelines, paragraph 104 (a)	*S1-17*
ESRS 2 – SBM-3 – S2 Significant risk of child labor or forced labor in the value chain, paragraph 11 (b)	Not material
ESRS S2-1 Human rights policy commitments, paragraph 17	Not material
ESRS S2-1 Policies related to value chain workers, paragraph 18	Not material
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines, paragraph 19	Not material
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labour Organization Conventions 1 to 8, paragraph 19	Not material
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain, paragraph 36	Not material
ESRS S3-1 Human rights policy commitments, paragraph 16	*S3-1*
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines, paragraph 17	*S3-1*
ESRS S3-4 Human rights issues and incidents, paragraph 36	*S3-4*
ESRS S4-1 Policies related to consumers and end-users, paragraph 16	*S4-1*

Datapoints listed in Appendix B to ESRS 2	Reference to section
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines, paragraph 17	*S4-1*
ESRS S4-4 Human rights issues and incidents, paragraph 35	*S4-4*
ESRS G1-1 United Nations Convention against Corruption, paragraph 10 (b)	*G1-1*
ESRS G1-1 Protection of whistleblowers, paragraph 10 (d)	*G1-1*
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws, paragraph 24 (a)	*G1-4*
ESRS G1-4 Standards of anti-corruption and anti-bribery, paragraph 24 (b)	*G1-4*

[ESRS 2 IRO-2-59] In order to exclude information, no thresholds were used in determining the material information in connection with impacts, opportunities and risks. HOWOGE has identified almost all datapoints relating to material impacts, opportunities and risks as material. Exclusions were made due to non-materiality in the case of two datapoints: E5-5-36a and E5-5-36c.

3.2 Environmental information

3.2.1 EU Taxonomy

Turnover

Template: Proportion of turnover from products or services associated with taxonomy-aligned activities– disclosure covering 2024

Fiscal year 2024	Year			Criteria for a substantial contribution						DNSH criteria (do no significant harm)							-		
Economic activities (1)	Code (2)	Turnover (3)	Proportion of turnover, 2024 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biological diversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biological diversity (16)	Minimum safeguards (17)	Taxonomy-aligned (A.1) or taxonomy-eligible (A.2) proportion of turnover, 2023 (18)	Enabling activity (19)	Transitional activity (20)
-	-	*EUR k*	%	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	%	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Electricity generation using solar photovoltaic technology	CCM 4.1	38	0%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	N/A	N/A	Y	Y	Y	0%	-	-
Acquisition and ownership of buildings	CCM 7.7	150.551	20,6%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	N/A	N/A	N/A	N/A	J	25,0%	-	-
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		150.589	20,6%	20,6%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	25,0%	-	-
of which enabling activities		0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	E	-
of which transitional activities		0	0%	0%	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	-	T

Fiscal year 2024	Year			Criteria for a substantial contribution						DNSH criteria (do no significant harm)							-		
Economic activities (1)	Code (2)	Turnover (3)	Proportion of turnover, 2024 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biological diversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biological diversity (16)	Minimum safeguards (17)	Taxonomy-aligned (A.1) or taxonomy-eligible (A.2) proportion of turnover, 2023 (18)	Enabling activity (19)	Transitional activity (20)
-	-	*EUR k*	%	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	%	*E*	*T*
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
Construction of new buildings	CCM 7.1	167.223	22,8%	EL	EL	N/EL	N/EL	EL	N/EL	-	-	-	-	-	-	-	0%	-	-
Renovation of existing buildings	CCM 7.2	5	0%	EL	EL	N/EL	N/EL	EL	N/EL	-	-	-	-	-	-	-	0%	-	-
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	148	0%	EL	EL	N/EL	N/EL	N/EL	N/EL	-	-	-	-	-	-	-	0%	-	-
Acquisition and ownership of buildings	CCM 7.7	400.368	54,7%	EL	EL	N/EL	N/EL	N/EL	N/EL	-	-	-	-	-	-	-	73,4%	-	-
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		567.744	77,5%	77,5%	77,5%	0%	0%	22,8%	0%	-	-	-	-	-	-	-	-	-	-
A. Turnover of taxonomy-eligible activities (A.1+A.2)		718.332	98,1%	98,1%	77,5%	0%	0%	22,8%	0%	-	-	-	-	-	-	-	98,5%	-	-
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of taxonomy-non-eligible activities		13.883	1,9%																
Total		**732.216**	**100,0%**																

Quantitative disaggregation of the taxonomy-aligned turnover numerator (EUR k)

Position	Turnover: Quantitative disaggregation of the numerator
Proceeds from letting residential units	110.513
Proceeds from residential operating and heating costs	40.037
Other	38
Total	**150.589**

CapEx

Template: Proportion of CapEx from products or services associated with taxonomy-aligned economic activities – disclosure covering 2024

Fiscal year 2024	Year			Criteria for a substantial contribution						DNSH criteria (do no significant harm)						-			
Economic activities (1)	Code (2)	CapEx (3)	Proportion of CapEx, 2024 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biological diversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biological diversity (16)	Minimum safeguards (17)	Taxonomy-aligned (A.1) or taxonomy-eligible (A.2) proportion of CapEx, 2023 (18)	Enabling activity (19)	Transitional activity (20)
-	-	*EUR k*	*%*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1.Environmentally sustainable activities (taxonomy-aligned)																			
Electricity generation using solar photovoltaic technology	CCM 4.1	3.986	1,1%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	N/A	N/A	Y	Y	Y	0,7%	-	-
Acquisition and ownership of buildings	CCM 7.7	49.960	13,5%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	N/A	N/A	N/A	N/A	Y	22,0%	-	-
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		53.946	14,6%	14,6%	0%	0%	0%	0%	0%	Y	Y	N/A	N/A	Y	N/A	Y	22,7%	-	-
of which enabling activities		0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	Y	0%	E	-
of which transitional activities		0	0%	0%	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	Y	0%	-	T

Fiscal year 2024	Year			Criteria for a substantial contribution						DNSH criteria (do no significant harm)							-		
Economic activities (1)	Code (2)	CapEx (3)	Proportion of CapEx, 2024 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biological diversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biological diversity (16)	Minimum safeguards (17)	Taxonomy-aligned (A.1) or taxonomy-eligible (A.2) proportion of CapEx, 2023 (18)	Enabling activity (19)	Transitional activity (20)
-	-	*EUR k*	%	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
Acquisition and ownership of buildings	CCM 7.7	312.694	84,4%	EL	EL	N/EL	N/EL	N/EL	N/EL	-	-	-	-	-	-	-	77,1%	-	-
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		312.694	84,4%	84,6%	84,4%	0%	0%	0%	0%	-	-	-	-	-	-	-	77,1%	-	-
A. CapEx of taxonomy-eligible activities (A.1+A.2)		366.640	98,9%	98,9%	84,4%	0%	0%	0%	0%	-	-	-	-	-	-	-	99,8%	-	-
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of taxonomy-non-eligible activities		3.926	1,1%																
Total		**370.566**	**100,00%**																

Quantitative disaggregation of the taxonomy-aligned CapEx numerator on the economic activity level (EUR k)

Economic activity	Additions to property, plant and equipment	Investment property	Total	of which part of the CapEx plan
CCM 4.1	3.986	-	3,986	3.986
CCM 7.7	-	49.960	49,960	
Total	**3.986**	**49.960**	**53,946**	**3.986**

OpEx

Template: Proportion of OpEx from products or services associated with taxonomy-aligned economic activities – disclosure covering 2024

Fiscal year 2024	Year			Criteria for a substantial contribution						DNSH criteria (do no significant harm)						-			
Economic activities (1)	Code (2)	OpEx (3)	Proportion of OpEx, 2024 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biological diversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biological diversity (16)	Minimum safeguards (17)	Taxonomy-aligned (A.1) or taxonomy-eligible (A.2) proportion of OpEx, 2023 (18)	Enabling activity (19)	Transitional activity (20)
-	-	*EUR k*	%	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1.Environmentally sustainable activities (taxonomy-aligned)																			
Acquisition and ownership of buildings	CCM 7.7	21.462	27,1%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	N/A	N/A	N/A	N/A	Y	25,3%	-	-
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		21.462	27,1%	27,1%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	25,3%	-	-
of which enabling activities		0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	Y	0%	E	-
of which transitional activities		0	0%	0%	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	Y	0%	-	T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
Acquisition and ownership of buildings	CCM 7.7	57.075	72,1%	EL	EL	N/EL	N/EL	N/EL	N/EL	-	-	-	-	-	-	-	74,2%	-	-
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		57.075	72,1%	72,1%	72,1%	0%	0%	0%	0%	-	-	-	-	-	-	-	74,2%	-	-
A. OpEx of taxonomy-eligible activities (A.1+A.2)		78.538	99,3%	99,3%	72,1%	0%	0%	0%	0%	-	-	-	-	-	-	-	99,5%	-	-

Fiscal year 2024	Year			Criteria for a substantial contribution						DNSH criteria (do no significant harm)						-			
Economic activities (1)	Code (2)	OpEx (3)	Proportion of OpEx, 2024 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biological diversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biological diversity (16)	Minimum safeguards (17)	Taxonomy-aligned (A.1) or taxonomy-eligible (A.2) proportion of OpEx, 2023 (18)	Enabling activity (19)	Transitional activity (20)
-	-	*EUR k*	%	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of taxonomy-non-eligible activities		588	0,7%																
Total		**79.126**	**100,0%**																

Quantitative disaggregation of the taxonomy-aligned OpEx numerator (EUR k)

Position	OpEx: Quantitative disaggregation of the numerator
Maintenance/repair	20.008
IT costs	613
Vehicle costs	46
Other	795
Total	**21.462**

Template: Extent of taxonomy eligibility and alignment per environmental objective

Percent	Proportion of turnover/ Total turnover		Proportion of CapEx/ Total turnover		Proportion of OpEx/ Total turnover	
per target	Taxonomy-aligned	Taxonomy-eligible	Taxonomy-aligned	Taxonomy-eligible	Taxonomy-aligned	Taxonomy-eligible
CCM[1)]	20,6	98,1	14,6	98,9	27,1	99,3
CCA[2)]	0,0	77,5	0,0	84,4	0,0	72,1
WTR[3)]	0,0	0,0	0,0	0,0	0,0	0,0
CE[4)]	0,0	22,8	0,0	0,0	0,0	0,0
PPC[5)]	0,0	0,0	0,0	0,0	0,0	0,0
BIO[6)]	0,0	0,0	0,0	0,0	0,0	0,0

1) CCM stands for climate change mitigation, the first of the six environmental objectives of the EU Taxonomy.

2) CCA stands for climate change adaptation, the second of the six environmental objectives of the EU Taxonomy.

3) WTR stands for sustainable use and protection of water and marine resources, the third of the six environmental objectives of the EU Taxonomy.

4) CE stands for transition to a circular economy, the fourth of the six environmental objectives of the EU Taxonomy.

5) PPC stands for pollution prevention and control, the fifth of the six environmental objectives of the EU Taxonomy.

6) BIO stands for protection and restoration of biodiversity and ecosystems, the sixth of the six environmental objectives of the EU Taxonomy.

Template 1: Nuclear and fossil gas related activities

Nuclear energy related activities	yes/no
The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	no
The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	no
The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	no

Fossil gas related activities	yes/no
The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	no
The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	no
The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	no

General disclosures

In fiscal year 2024, HOWOGE reported on its contributions to the EU's climate-related environmental objectives and the four other environmental objectives in line with the provisions of Regulation (EU) 2020/852 and the associated delegated regulations (hereinafter referred to collectively as the "EU Taxonomy").

This year's reporting considered all environmental objectives in accordance with Annexes I and II to Delegated Regulation 2021/2139 and Annexes I to IV to Delegated Regulation 2023/2486.

In 2024, HOWOGE assigned its business activities to the following economic activities:

- CCM 7.1 "Construction of new buildings"
- CCM 7.7 "Acquisition and ownership of buildings"
- CCM 4.1 "Electricity generation using solar photovoltaic technology"
- CCM 7.2 "Renovation of existing buildings"
- CCM 7.3 "Installation, maintenance and repair of energy efficiency equipment"

Due to identical descriptions, the following HOWOGE business activities are taxonomy-eligible in respect of several environmental objectives in accordance with Annexes I and II to Delegated Regulation 2021/2139 and Annexes I to IV to Delegated Regulation 2023/2486:

- "Construction of new buildings" is taxonomy-eligible in respect of the environmental objectives of climate change mitigation, climate change adaptation and circular economy.
- "Acquisition and ownership of buildings" is taxonomy-eligible in respect of the environmental objectives of climate change mitigation and climate change adaptation.
- "Electricity generation using solar photovoltaic technology" is taxonomy-eligible in respect of the environmental objectives of climate change mitigation and climate change adaptation.
- "Renovation of existing buildings" is taxonomy-eligible in respect of the environmental objectives of climate change mitigation, climate change adaptation and circular economy.
- "Installation, maintenance and repair of energy efficiency equipment" is taxonomy-eligible in respect of the environmental objectives of climate change mitigation and climate change adaptation.

HOWOGE's business activities are allocated to the environmental objective of climate change mitigation (CCM) since reducing building-related emissions is the main lever available to HOWOGE in satisfying the EU environmental objectives.

Summary of turnover, capital expenditure and operating expenditure

Percent	Turnover	CapEx	OpEx
Proportion of taxonomy-eligible activities	98,1	98,9	99,3
Proportion of taxonomy-aligned activities	20,6	14,6	27,1
Proportion of taxonomy-non-eligible activities	1,9	1,10	0,7

Procedure for determining taxonomy eligibility

In 2024, the previous years' analyses were used as the basis for identifying taxonomy-eligible revenue (turnover), investments (CapEx) and operating expenses (OpEx). The data were taken from the HOWOGE consolidated financial statements prepared in accordance with IFRS. The *notes to the consolidated financial statements, section 4.2 "Subsidiaries,"* list the German consolidated companies in which HOWOGE held a direct or indirect interest on the reporting date and whose business purpose is described in more detail in the *group management report, section 1.2 "Group structure"*. In August 2024, the scope of consolidation of HOWOGE Wohnungsbaugesellschaft mbH was extended to include subsidiary ATOZ Facility Solutions GmbH (hereinafter referred to as ATOZ). ATOZ performs repair and maintenance work for the HOWOGE portfolio and for third parties. Further information can be found in the *notes to the consolidated financial statements, chapter 3 "Acquisition of entities"*.

Potentially taxonomy-eligible economic activities are identified and monitored by the sustainability and the controlling and data modelling functions. All potentially taxonomy-eligible economic activities are allocated to HOWOGE cost centers.

As in 2023, almost all HOWOGE's turnover, CapEx and OpEx are taxonomy-eligible. Exceptions are some minor proceeds from services that are not directly related to HOWOGE's core business and some investments in software, for example.

HOWOGE's core business is letting apartments and the associated maintenance and refurbishment activities. It also includes residential services and the construction and purchase of apartments. The construction of new residential buildings by HOWOGE is not an own-account economic activity within the meaning of CCM 7.1 "Construction of new buildings" in accordance with the EU Taxonomy. The EU Taxonomy defines new construction as the development and realization of building projects for later sale. However, because HOWOGE holds its own portfolio, it does not sell the new residential buildings it constructs but lets them itself. For this reason, new residential buildings and capital expenditures in respect of such buildings are directly related to the revenue-generating activity of letting and activity CCM 7.7 "Acquisition and ownership of buildings."

As part of Berlin's School Construction Program, HOWOGE is constructing new schools that may be considered to fall under CCM 7.1 "Construction of new buildings."

The following economic activities were identified in the analysis of taxonomy eligibility:

Economic activity analyzed within the meaning of the EU Taxonomy	Description of the economic activity at HOWOGE
CCM 4.1 Electricity generation using solar photovoltaic technology	Electricity generation using the company's own photovoltaic units
CCM 7.1 Construction of new buildings	Construction of new school buildings for the State of Berlin as part of Berlin's School Construction Program
CCM 7.2 Renovation of existing buildings	Refurbishment to modernize vacant residential units
CCM 7.3 Installation, maintenance and repair of energy efficiency equipment	Sanitary installations replaced and maintained as part of the renovation of a hospital ward
CCM 7.7 Acquisition and ownership of buildings	Letting of housing and operation of school buildings

Determining taxonomy-eligible turnover

The taxonomy-eligible turnover is defined as the quotient of taxonomy-eligible turnover (numerator) and the total turnover eligible in accordance with the EU Taxonomy (denominator) in the fiscal year.

The basis for determining taxonomy-eligible turnover is the consolidated net revenue in accordance with IAS 1.82(a) (denominator). Mapping HOWOGE's revenue-generating economic activities against the economic activities within the meaning of the EU Taxonomy yields the numerator for calculating the taxonomy-eligible turnover. Details regarding the presentation of the consolidated net revenue (denominator) are contained in the *notes to the consolidated financial statements, chapter 7 "Notes to the income statement."*

In addition to rental income, the revenues achieved with the activity CCM 7.7 "Acquisition and ownership of buildings" include revenues from operating and heating costs because these are inseparable from rental revenue. In 2024, it also included one-time revenue from the economic sale of a school building to the State of Berlin. These revenues were allocated to activity CCM 7.1 "Construction of new buildings."

As part of the photovoltaic program, HOWOGE already installed photovoltaic units in 2023. However, these did not contribute to the grid that year but began doing so in 2024. The revenue from this is reported as taxonomy-eligible under activity CCM 4.1 "Electricity generation using solar photovoltaic technology."

To a limited extent, HOWOGE achieved revenues from selling electricity (landlord-to-tenant electricity) generated by other photovoltaic units. Although some electricity was procured, this landlord-to-tenant electricity was allocated to CCM 4.1 "Electricity generation using solar photovoltaic technology." As a result, it was not possible to evaluate the 2024 revenues generated only by electricity from photovoltaic units (landlord-to-tenant electricity).

Other taxonomy-eligible revenues result from the refurbishment of vacant residential units (CCM 7.2) and the installation of sanitary equipment (CCM 7.3).

In fiscal year 2024, business activities thus generated taxonomy-eligible turnover of EUR 718.3m, equivalent to a rate of 98.1%.

Determining taxonomy-eligible CapEx

The taxonomy-eligible share of capital expenditures (CapEx) is defined as the quotient of taxonomy-eligible capital expenditures (numerator) and total capital expenditures (denominator) in the fiscal year.

Total capital expenditures (denominator): Total capital expenditures are calculated from the sum (additions and acquisitions in fiscal year 2024) of the amounts reported in the notes to the consolidated financial statements in *sections 8.1 "Investment property", 8.3 "Property, plant and equipment" and 8.6 "Intangible assets" incl. changes to the scope of consolidation for software*. The additions recognized under 8.3 "Property, plant and equipment" amounted to EUR 10.5 million. Due to the reclassifications to 8.1 they contain, the additions reported under 8.3 have been adjusted for the additions that are already reported under 8.1 to avoid any duplication.

Taxonomy-eligible capital expenditures (numerator): Capital expenditures cover expenditures for additions to property, plant and equipment and intangible assets before amortization, depreciation and value adjustments, excluding changes in fair value. They include items such as expenditures for the acquisition of property, plant and equipment (IAS 16), intangible assets (IAS 38), leases (IFRS 16) and investment property (IAS 40).

The proportion of capital expenditures relating to assets or processes associated with taxonomy-eligible economic activities as defined by the EU Taxonomy is considered taxonomy-eligible. These are:

a) Expenditures relating to assets or processes associated with taxonomy-aligned economic activities

b) Expenditures that are part of a plan to extend taxonomy-aligned economic activities or to transition economy activities from taxonomy-eligible to taxonomy-aligned (CapEx plan)

c) Expenditures relating to the acquisition of production facilities for taxonomy-aligned economic activities and individual measures for reducing the carbon emissions of the target activities or reducing greenhouse gas emissions

Most of HOWOGE's capital expenditures are directly related to residential property management and include complex maintenance projects for portfolio buildings, investments in new buildings and facilities in and around buildings. Therefore, all these capital expenditures are allocated to activity CCM 7.7 although some measures may relate to other activities.

Another large part of HOWOGE's capital expenditures goes into the construction of new residential buildings in order to provide safe and affordable housing in Berlin and Brandenburg.

Since 2023, as part of its photovoltaic campaign, HOWOGE has been investing in systems that feed PV electricity (not landlord-to-tenant electricity) in its entirety into the grid. As a result, revenues in connection with economic activity CCM 4.1 were reported for the first time in 2024 – see *chapter „Determining taxonomy-eligible turnover*". The investment plan for these systems is spread over a period of ten years from 2023 to 2033 to form clusters that facilitate the creation of standards, the leveraging of potential cost savings and an economic approach to expansion overall. It qualifies as a CapEx plan which is why the investments are reported as eligible CapEx of category b).

To a lesser extent, capital expenditures concern the generation of landlord-to-tenant electricity by photovoltaic systems.

In line with IFRS accounting regulations, investments in the construction of new schools are reported as inventories and are therefore not part of the numerator and denominator of the CapEx indicator. Overall, 98.9% – or EUR 366.6m – of the capital expenditures examined were taxonomy-eligible. In addition, investments in the procurement of electronic equipment for business operations are allocated on a pro rata basis as CapEx a) to the corresponding economic activities.

Determining taxonomy-eligible OpEx

The taxonomy-eligible operating expenses (OpEx) are defined as the quotient of taxonomy-eligible operating expenses (numerator) and the total operating expenses eligible in accordance with the EU Taxonomy (denominator) in the fiscal year. The denominator includes direct, non-capitalized operating expenses relating to research and development, the refurbishment of buildings, short-term leases, maintenance and repair and all other direct expenses in connection with the day-to-day maintenance of property, plant and equipment assets by the company itself or by third parties. At HOWOGE, they include:

- The costs of maintenance and repair for the company’s leased and own buildings and the associated (building) technology
- Short-term leasing of vehicles
- Non-capitalized services for the periodic maintenance of HOWOGE’s buildings
- Research and development expenses, e.g., for feasibility studies

In analyzing taxonomy eligibility, HOWOGE’s operating expense accounts were allocated to the aforementioned operating expenses within the meaning of the EU Taxonomy. The OpEx for the relevant cost types was then allocated to the economic activities and to categories a), b) or c), which are applied in a similar way as for CapEx.

Taxonomy-eligible OpEx mainly consists of maintenance costs in connection with the maintenance and repair of rented and own buildings in the context of economic activity CCM 7.7. The costs of installing sanitary equipment, allocated to economic activity CCM 7.3, are also considered taxonomy-eligible OpEx.

Overall, EUR 78.5m, or 99.3%, of the operating expenses examined were taxonomy-eligible.

Procedure for determining taxonomy alignment

The alignment of all economic activities related to the environmental objectives in accordance with Annexes I and II to Delegated Regulation 2021/2139 and Annexes I to IV to Delegated Regulation 2023/2486 must be reviewed and reported. The turnover, CapEx and OpEx of economic activities are considered taxonomy-aligned if they satisfy the respective technical screening criteria. These are the substantial contribution to be made by an activity to an environmental objective and the avoidance of significant harm (DNSH) to other environmental objectives, which must be ensured. In addition, compliance with minimum safeguards must be ensured.

If possible, the requirements of the technical screening criteria are always applied to the asset or service level, i.e., usually at the building level in the case of HOWOGE. Compliance with minimum safeguards was assessed at company level and confirmed for each activity examined.

HOWOGE's business model is the letting of housing in the Berlin/Brandenburg region – see *group management report, 2.2.4 "Information on the financial performance, assets, liabilities and financial position*". This means that the construction characteristics of the leased housing are potentially crucial to the assessment of alignment.

The overall review of the group structure shows that the external turnover, CapEx and OpEx of ATOZ are below a materiality threshold. For this reason, the turnover, CapEx and OpEx of ATOZ are reported as taxonomy-eligible but are not considered further in determining taxonomy alignment.

DNSH/climate risk and vulnerability assessment (CRVA)

DNSH criteria must be satisfied if the calculated turnover and associated CapEx and OpEx are to be considered as taxonomy-aligned. In the case of all business activities identified as taxonomy-eligible, a climate risk and vulnerability assessment must be performed in respect of the DNSH criterion for the environmental objective of climate change adaptation.

HOWOGE performed this in fall 2022 for its entire building stock using a multistage process.

To start with, workshops involving HOWOGE's risk management and technical management departments and external climate experts defined the building stock and the building system elements that were to be addressed in the later stages of the process. The service life of the buildings was also analyzed.

In parallel, the external climate experts identified the climate risks or excluded those that do not occur in Berlin on the basis of the climate risks listed in the Taxonomy Regulation.

This was followed by workshops that consolidated the two processes described above to assess the risks identified for the objects of the analysis that had been determined. The climate risks for Berlin that are used in the analysis are taken from a report by an external climate data provider.

The climate projections applied (RCP2.6, RCP4.5, RCP6.0, RCP8.5) and the subsequent assessments are based on proven processes and existing guidelines. The underlying data and approaches represent the best-available scientific findings for vulnerability and risk analysis and conform with the associated methods in accordance with recent reports from the Intergovernmental Panel on Climate Change, peer-reviewed scientific publications and open-source and other data.

The results were documented and are being used in the company's risk management work.

The analysis revealed nine minor and two medium risks relating to HOWOGE's business activities. However, these risks are not material. In the case of minor risks, it can be assumed that they will not occur or will hardly occur. In the case of medium risks, it can be assumed that they might occur under certain circumstances and could have a negative impact on individual system components. HOWOGE takes measures to adapt to climate change and include the application of high energy efficiency standards in new buildings and portfolio modernization measures, both of which result in the better insulation of the company's apartments.

Turnover, CapEx and OpEx in conjunction with the economic activities reported as taxonomy-eligible satisfy the DNSH criterion. As there were no significant changes to the HOWOGE portfolio in 2024, the CRVA findings remain valid.

Compliance with minimum safeguards

The EU Taxonomy Regulation defines minimum safeguards in respect of anticorruption, bribery prevention, taxation, fair competition and respect for human rights. Taxonomy alignment requires compliance with these minimum safeguards. HOWOGE complies with the minimum safeguards required by the EU Taxonomy.

In respect of anticorruption, bribery prevention, taxation and fair competition, we have developed comprehensive internal management systems that include the company's compliance and group taxation policies. The compliance officers and the finance and accounting function are the points of contact for these matters. Anticorruption and taxation are also aspects of HOWOGE's risk management approach. The provisions of German procurement law additionally ensure non-corrupt conduct when it comes to awarding contracts.

We make an active contribution to respecting human rights. Contracts for construction, supply and other services are awarded on the basis of German procurement law (GWB – Competition Act, VgV – Ordinance on the Award of Public Contracts, UVgO – Lower Threshold Public Award Regulation) and the company's own regulations. In particular, HOWOGE applies the State of Berlin's tender and procurement law (BerlAVG) and generally makes its social and environmental provisions the basis of its requests for tender, even if application of this law is not mandatory. Since January 1, 2024, HOWOGE has been subject to the provisions of the German Act on Corporate Due Diligence in Supply Chains (LkSG). By implementing the UN Guiding Principles on Business and Human Rights in its business activities, HOWOGE has committed to respecting and protecting human rights. Some of the associated measures have already been implemented since August 2023. For further information see *S1-1-21*.

Section 8 of the BerlAVG states that efforts must be made to ensure that the service does not include any goods obtained or manufactured in conditions that do not comply with ILO core labor standards. Moreover, actions must be taken to ensure the payment of a specific minimum wage[7], the advancement of women and compliance with collective pay agreements. This must be confirmed by our suppliers on the basis of a self-declaration. Internal audit steers random external audits of the company's business partners.

Pursuant to legal requirements, the compliance of potential contractors with the law is investigated by way of a query to the competition registry.

HOWOGE operates in accordance with German labor and social law. We are committed to ensuring fair working conditions, the equal treatment of all employees and occupational safety. HOWOGE has a works council and elected employee representatives make up one third of its supervisory board. We implement dialog with employee representatives and support our employees' endeavors to defend their interests. HOWOGE's values serve to provide guidance to our employees, shape our corporate culture and set clear rules for communication and conduct, e.g., fairness and prohibition of discrimination.

Our approach to complying with human rights is described in the following disclosure requirements: *S1-SBM-3-14a-c, S1-1-20-24, S1-3-32b-e, S3-1-16a-c, 12-14, 17, S4-1-13-15,16a-c, 17, G1-2-15*.

HOWOGE has addressed the do-no-significant-harm principle contained in the Sustainable Finance Disclosure Regulation. The indicators for the main negative impacts in the areas of social and employment matters, respect for human rights and combating corruption and bribery are:

- Violations of the UNGC Principles and the OECD Guidelines for Multinational Enterprises
- Lack of processes and compliance mechanisms to monitor compliance with the UNGC Principles and the OECD Guidelines for Multinational Enterprises
- Unaddressed gender pay gap
- Gender diversity in management and governance bodies
- Involvement in controversial weapons (antipersonnel mines, cluster munitions, chemical and biological weapons)

[7] Minimum wage specified by the State of Berlin's tender and procurement law: EUR 13.69 (as at: May 01,2024); statutory minimum wage specified by Germany's Act Regulating a General Minimum Wage: EUR 12.41 (as at: January 01, 2024)

HOWOGE reports the PAIs (principal adverse impacts) as defined by the Sustainable Finance Disclosure Regulation. The company is not involved in the manufacture or sale of weapons. Information about indicators one through four can be found in the above-mentioned references and in chapter *S1-16-97a-c* in respect of indicator three.

HOWOGE is closely associated with the respective economic activities defined by the EU Taxonomy. Almost all HOWOGE's turnover, CapEx and OpEx are taxonomy-eligible. For this reason, it is necessary to analyze compliance with minimum social safeguards for all the economic activities identified.

Determining taxonomy-aligned turnover

In 2024, 20.6% of HOWOGE's revenues (turnover) were taxonomy-aligned. Turnover is derived from the following activities:

- CCM 7.7 "Acquisition and ownership of buildings"
- CCM 4.1 "Electricity generation using solar photovoltaic technology"

In addition, maintenance services generate intracompany revenues as well as the taxonomy-aligned revenues identified. In 2024, there were no material items in respect of intracompany consumption.

Requirements for the substantial contribution from the energy efficiency of buildings have been defined for economic activity CCM 7.7. Residential buildings for which construction permits were issued prior to December 31, 2020, must have a class A or A+ energy performance certificate (EPC). Alternatively, the building must be in the top 15% of the national or regional building stock in terms of energy consumption. Since there had been no full assessment of all EPCs for German residential buildings as at the end of 2024, this requirement was operationalized on the basis of a study by the German Pfandbrief Banks and Drees & Sommer. According to this, the primary energy demand and energy consumption may not exceed 74 kWh and 70 kWh, respectively, per square meter in order to satisfy the substantial contribution criteria.

HOWOGE did not derive any revenue in 2024 from buildings whose construction was commissioned after December 31, 2020, because they are not yet available for letting.

Energy certificates are available for all HOWOGE buildings. Some of these are requirement certificates while others are consumption certificates. If available, the primary energy demand was used for the calculations. For the most part, however, data from the energy consumption certificates were used.

The revenue achieved with the buildings comprises the net rent (excluding service costs) and the operating expenses. HOWOGE records the latter at the economic entity level and not at the building level. An economic entity may consist of several buildings. The net rent (excluding service costs) is recorded for each building.

The net rent (excluding service costs) thus serves as the basis for defining the allocation key for determining the relevant total revenues. This is done by defining the share of the total net rent (excluding service costs) that is achieved by buildings in the top 15% in terms of the EPC (see above). Alongside the calculation of the total revenues, this allocation key is also used to determine the operating expenses – see *Determining taxonomy-aligned OpEx*.

DNSH criteria must be satisfied for economic activity CCM 4.1 – see *Determining taxonomy-aligned CapEx*.

By contrast, no alignment can be verified for economic activity CCM 7.1 because the DNSH criterion for the environmental objective of water cannot be satisfied.

Determining taxonomy-aligned CapEx

A total of 14.6% of HOWOGE's CapEx in 2024 was taxonomy-aligned. IAS 40 additions for taxonomy-aligned CapEx were recognized at the carrying amount.

A large proportion of the taxonomy-aligned CapEx was used in HOWOGE's core business, which is covered by activity CCM 7.7. Compliance with the substantial contribution was analyzed and recorded at the building level. To determine the taxonomy-aligned CapEx, the revenues per building were determined (see above) and then allocated to the investments made in 2024 (CapEx category a)). The challenge here was that HOWOGE documents most of its investments at the economic entity level, which may cover several buildings. As the buildings within an economic entity often have the same energy characteristics, there were very few deviations when it came to the CapEx allocation. In these few cases, the taxonomy-aligned CapEx was determined on the basis of the taxonomy-aligned revenues for the respective economic entity. Assessing the alignment of CapEx is aligned with the assessment of the associated revenues.

In 2024, CapEx of category b) related to economic activity CCM 4.1 under environmental objective I (climate change mitigation) and concerned the photovoltaic campaign to expand the use of photovoltaic systems. Investment in the 2024 fiscal year amounted to EUR 4.0m. The CapEx plan envisages investment of EUR 71m through 2033. This plan covers a period of ten years to ensure that it can be implemented economically. Through the investment covered by the CapEx plan, HOWOGE is planning to increase its taxonomy-aligned activity.

CapEx of category b) in photovoltaic systems can be deemed taxonomy-aligned if the systems are used to generate solar power (substantial contribution) and the DNSH criteria are met.

- DNSH 2 requires a climate vulnerability analysis. HOWOGE's *climate vulnerability analysis* covers the entire HOWOGE portfolio and is also applied for economic activity CCM 4.1.

- DNSH 4 “Transition to a circular economy”: The activity includes assessing the availability of long-lasting and recyclable equipment and components that are easily removed and recycled and, if possible, their use. HOWOGE has product guarantees of 15 to 20 years. At their end of use, the modules are disposed of properly. Modules that are replaced in the course of maintenance work are disposed of by specialist companies.
- DNSH 6 “Protection and restoration of biodiversity and ecosystems”: The activity complies with the criteria listed in Annex D which require an environmental impact assessment or an assessment in accordance with Directive 2011/92/EU. The rooftop installation of photovoltaic units does not have a negative impact on ecological assets such as soil, water, air and climate. The photovoltaic units are not installed close to biodiversity-rich areas.

Determining taxonomy-aligned OpEx

Overall, 27.1% of HOWOGE’s OpEx in 2024 was taxonomy-aligned, all of which was allocated to activity CCM 7.7 and was used almost exclusively in maintenance. As this OpEx is related to just one activity, a further quantitative breakdown is not expedient.

When analyzing the alignment of the operating expenses, a distinction is made between categories a), b), and c), as is the case for CapEx (see above). Operating expenses are very heterogeneous and fragmented which is why it is almost impossible to analyze the technical screening criteria at the asset or service level. That is why the revenue-based approach was applied for category a) OpEx associated with activity CCM 7.7. In this respect, it is assumed that the necessary operating expenses correlate strongly with the revenue achieved with the respective building. The allocation key described under “Determining taxonomy-aligned turnover” is used here and is determined on the basis of the net rent (excluding service costs) and the energy certificates. This approach was chosen for all relevant operating expenses because these are always connected with residential property management and thus with activity CCM 7.7. HOWOGE is not involved in any economic activity in connection with energy generation from fossil gas or nuclear energy. These data are disclosed using specific *template 1*. No disclosures are made using templates 2 to 5.

3.2.2 E1 Climate change

Policies

In connection with this topic-specific standard, various policies are listed which are explained on the basis of the respective minimum disclosure requirements.

Corporate strategy

Contents

Description of the main strategy elements: In the articles of association, the shareholders have defined HOWOGE's main function as providing affordable social housing to broad sectors of Berlin's population. The corporate strategy is divided into sub-strategies: a growth strategy aimed at specifically leveraging available growth opportunities and ensuring short distances to the city's amenities; a portfolio management strategy to expand services and thus enhance customer loyalty; a risk-averse, long-term and diversified finance strategy; and a property management strategy aimed at reducing costs and increasing employee and customer satisfaction. HOWOGE's social mandate anchors social commitment and neighborhood management in the company's corporate strategy. The construction of schools is also anchored in HOWOGE'S corporate strategy.

General objectives of HOWOGE's corporate strategy: As a property holder, HOWOGE's core business is the long-term management and development of its own housing stock. In the medium to long term, HOWOGE aims to grow its portfolio to around 100,000 residential units by way of new construction especially. With its diverse offering of services for residents and forward-looking sustainability and mobility concepts, the company is creating neighborhoods characterized by their long-term stability. In addition, as part of Berlin's School Construction Program, HOWOGE is constructing new schools and refurbishing existing schools for the State of Berlin. However, this business area is economically separate from the company's core business. HOWOGE operates sustainably and is an economically stable housing company with a robust capital structure and access to many different financing options.

Material IROs relating to the strategy: Investments in renewable energy (impact).

Monitoring process: The management board developed a corporate strategy in 2021. The management board discusses material refinements of the corporate strategy with the supervisory board once yearly.

Area of application

Area of application in respect of activities: The corporate strategy applies to the HOWOGE Group. It applies to HOWOGE's own business activities (project planning and support, letting and management of residential units, construction of new residential buildings and schools, supply of heating, hot water and electricity).

Areas of application in relation to the value chain: The corporate strategy also relates to HOWOGE's value chain (upstream value chain, e.g., construction services), the company's own business activities (HOWOGE core business) and the downstream value chain (e.g., direct business partners such as tenants). As far as possible, HOWOGE procures sustainable construction materials (upstream value chain). The company operates an insourcing strategy in order to provide cleaning, maintenance and other services (downstream value chain) itself in the future. HOWOGE has a strategy of ensuring short distances to amenities, i.e., it makes every effort to integrate commercial units and social infrastructure within its neighborhoods (downstream value chain).

Area of application in respect of the geographical area: HOWOGE's real estate portfolio is located in Berlin and to a small extent in neighboring Brandenburg. There is a strong concentration in Berlin's Lichtenberg district, currently accounting for around 75% of residential units.

Area of application in respect of affected stakeholders: HOWOGE has defined the affected stakeholders (employees, the State of Berlin, parliaments, district and local politicians, local authorities, industry association, investors, urban society, tenants' council and tenants' advisory boards, institutions and public facilities). Consideration of the affected stakeholders in HOWOGE's corporate strategy is based on the company's mandate from its shareholder to provide affordable housing to the population of Berlin. HOWOGE maintains a constant dialog with affected stakeholders.

Responsibilities

The management board is responsible for the corporate strategy. HOWOGE has established a corporate structure that facilitates the efficient implementation of the corporate strategy and its sub-strategies. HOWOGE has operating units for technical, strategic and operational portfolio management and a group administration structure. The corporate strategy is implemented by the heads of department.

References to other standards/initiatives

HOWOGE acts as a municipal undertaking on behalf of its shareholder (State of Berlin). In implementing its strategy, the company undertakes to comply with the provisions of the cooperation agreement with the State of Berlin.

Consideration of interests

The definition and implementation of the corporate strategy is aligned with the mandate from the shareholder.

Stakeholders

HOWOGE reports the key elements of its corporate strategy in its management report and prospectus. It provides information about its corporate strategy to the shareholder meeting and to the Shareholder Management and Controlling Committee of the Berlin House of Representatives. Aspects of the corporate strategy are communicated publicly in news releases on topics such as the expansion of renewable energy, as well as in HOWOGE's vision and mission statement.

Climate strategy

Contents

Description of the main contents of the strategy: The climate strategy includes the long-term target of achieving a climate-neutral portfolio by 2045. HOWOGE has defined this as emissions of less than 3 kg CO_2/sqm/year. The target is emissions of 3.43 kg CO_2eq/sqm/year by 2040, which is derived from the sector budget defined in the Federal Climate Protection Act (as amended on December 12, 2019). To achieve the climate target, three decarbonization levers have been identified: 1) energy optimization; 2) investments in efficient system technology; and 3) use of low-carbon district heating.

General objectives of HOWOGE's climate strategy: HOWOGE's climate strategy serves as a roadmap for achieving a climate-neutral portfolio by 2045.

Material IROs relating to the strategy: Investments in renewable energy (opportunity), climate regulation (risk).

Monitoring process: The main elements of the climate strategy are discussed regularly with the management board and adjusted if necessary.

Area of application

Area of application in respect of activities: The climate strategy applies to the HOWOGE Group. It applies to HOWOGE's own business activities (project planning and support, letting and management of residential units, construction of new residential buildings, supply of heating, hot water and electricity).

Area of application in respect of the value chain: The climate strategy is applied to HOWOGE's own business activities (refurbishment, system technology) and to the upstream value chain (low-carbon district heating).

Area of application in respect of the geographical area: HOWOGE's real estate portfolio is located in Berlin and to a small extent in neighboring Brandenburg. There is a strong concentration in Berlin's Lichtenberg district, currently accounting for around 75% of residential units.

Area of application in respect of affected stakeholders: HOWOGE has defined the affected stakeholders (employees, the State of Berlin, parliaments, district and local politicians, local authorities, industry association, investors, urban society, tenants' council and tenants' advisory boards, institutions and public facilities). All three decarbonization levers relate to the company's tenants and are considered accordingly in the climate strategy. The climate strategy is aligned with Berlin's Energy and Climate Protection Act and takes account of the shareholder's interests.

Responsibilities

The management board is responsible for climate strategy. The climate strategy is being developed through close collaboration between the HOWOGE functions, e.g., treasury & investor relations, controlling and data modelling, technical management, asset and portfolio management, heating and sustainability. Asset and portfolio management is responsible for implementing the climate strategy.

References to other standards/initiatives

The climate target is based on the Federal Climate Action Act (KSG), also taking account of Berlin's Energy and Climate Protection Act.

Consideration of interests

The climate strategy is aligned with Berlin's Energy and Climate Protection Act and takes account of the shareholder's interests. All three decarbonization levers concern the company's tenants and are considered accordingly in the climate strategy.

Stakeholders

As part of its annual reporting, HOWOGE reports on its progress in implementing the climate strategy in its sustainability statement. Aspects of the climate strategy are communicated publicly in news releases on topics such as the expansion of renewable energy and energy optimization.

Sustainability strategy

Contents

Description of the main contents of the strategy: The sustainability strategy is based on the materiality assessment, which is used to define HOWOGE's key topics/action areas in respect of business relevance/financial materiality and impacts on the environment and society. The following material topics are considered: circular economy (resource outflows related to products and services); climate change adaptation; climate change mitigation; energy; socially responsible rents; social neighborhood management; corruption and bribery; corporate culture; working conditions; equal treatment and equal opportunities; economic, social and cultural rights of residents in the neighborhoods; information-related impacts on tenants; social inclusion of tenants; whistleblower protection; management of supplier relationships, including payment practices.

Based on the findings of the materiality assessment, targets were formulated for all action areas and sustainability topics. The sustainability strategy, which is derived from the corporate strategy, is thus a roadmap for the company's sustainable development in the aforementioned areas.

General objectives: The main objective of our sustainability strategy is: "We will prove that climate and environmental protection targets are compatible with the socially responsible development of rents in Berlin and we will thus be one of the key players in sustainable housing management in Germany by

2035." Sustainability management at HOWOGE is aligned with four action areas: corporate governance, new construction and portfolio, neighborhoods and teamwork. Material topics and sustainability targets are assigned to each action area.

Material IROs on which the strategy is based: Costs and capital costs in connection with adaptation measures (risk); climate regulation (risk); investments in renewable energy (opportunity).

Monitoring process: The materiality assessment is reviewed annually in cooperation with the HOWOGE sustainability team and revised as necessary. Attainment of the sustainability targets that have been defined is monitored regularly in consultation with the respective departments. Both the revised materiality assessment and the newly formulated targets are approved by the management board.

Area of application

Area of application in respect of activities: The sustainability strategy applies to the HOWOGE Group. It applies to HOWOGE's own business activities (project planning and support, letting and management of residential units, construction of new residential buildings, supply of heating, hot water and electricity).

Area of application in respect of the value chain: The sustainability strategy relates to both the upstream and downstream value chain. The upstream value chain mainly concerns the areas of procurement and supply chain management, addressing matters such as the definition of the disclosures that service providers are required to make to HOWOGE, the definition of the social compliance criteria that service providers and suppliers must observe in the contract award process and the preparation of a supplier code of conduct in 2023. The downstream value chain includes matters such as the life cycle analysis of buildings, the preservation of resources, socially responsible rents and social neighborhood management.

Area of application in respect of the geographical area: HOWOGE's real estate portfolio is located in Berlin and to a small extent in neighboring Brandenburg. There is a strong concentration in Berlin's Lichtenberg district, currently accounting for around 75% of residential units.

Area of application in respect of affected stakeholders: The company's activities are aligned with the needs of the stakeholders with which it maintains a dialog. They include the following groups: State of Berlin (Senate administrations); parliaments (the German Parliament, Berlin House of Representatives and their parliamentarians); district and local politicians; local authorities (for example, Berlin's Housing Coordination Office, the city's district councils); industry associations (such as BBU and GdW); urban society (including citizens' initiatives and local clubs); tenants' council and tenants' advisory boards; institutions and public facilities (for example, community centers, schools, libraries).

Responsibilities

The management board is responsible for the sustainability strategy. The sustainability function is responsible for developing and coordinating HOWOGE's sustainability activities

References to other standards/initiatives

The environmental metrics contained in the 2024 report are aligned with the requirements and calculation methods specified in the sustainability reporting guidelines for the housing industry (Guidelines 73 and 85) issued by the National Association of Housing Companies (GdW).

Consideration of interests

For the CSRD materiality assessment, interviews were conducted with six external stakeholder groups: the Senate; the financing sector; housing industry interest groups; the Landesbank (Berlin state bank); strategic business consultants; the tenants' advisory board. HOWOGE's sustainability team and other departments performed the materiality assessment and prepared the reporting.

Stakeholders

As part of its annual reporting, HOWOGE reports on its progress in implementing the sustainability strategy in its sustainability statement. These are published on the company's website.

Group risk management policy

Contents

Description of the main contents of the strategy: The group risk management policy is aligned with the overall corporate strategy. It is aimed at safeguarding the company's continued existence as a going concern and sustainably increasing corporate value. To ensure entrepreneurial success, it is necessary to detect opportunities and identify and assess the associated risks. The group policies clarify the elements of the risk management system: risk approach; roles and responsibilities; risk management process.

General objective: Opportunities should be leveraged and entrepreneurial risks accepted in a conscious manner and managed proactively if this makes it possible to achieve an adequate increase in value. Risks that pose a threat to the portfolio are to be avoided.

Material IROs on which the strategy is based: Climate regulation (risk); investments in renewable energy (opportunity); costs and capital costs in connection with adaptation measures (risk).

Monitoring process: The group policy is regularly reviewed by the head of GRC.

Area of application

Area of application in respect of activities: This policy applies to all HOWOGE Group employees and thus also to all HOWOGE activities as defined in the company's value chain.

Areas of application in respect of the upstream and downstream value chain: The objective of risk management is to be prepared for and protected against unexpected events that arise in either the upstream or downstream value chain.

Area of application in respect of the geographical area: The strategy applies to the entire HOWOGE Group and all its economic activities in all geographical areas in which HOWOGE operates (Berlin, small areas of Brandenburg).

Area of application in respect of affected stakeholders: The policy affects all HOWOGE employees and is made available internally. It is not published externally.

Responsibilities

The GRC function monitors implementation of the strategy.

References to other standards/initiatives

On the basis of legal requirements (including section 289 (1) and (2) of the German Commercial Code (HGB), section 1 of the German Act on the Stabilization and Restructuring Framework for Businesses (StaRUG), section 91 (2) and (3) of the AktG and section 53 of the German Budgetary Principles Act (HGrG)) and the company’s industry-specific business activities, the preventive management of risks is among the inherent responsibilities of the management board.

Consideration of interests

The State of Berlin has an interest in the cost-effectiveness of its municipal undertakings. Risk management contributes to leveraging opportunities and avoiding risks.

Stakeholders

The group risk management policy is available to all employees on the company’s intranet.

Strategy

E1-1: Transition plan for climate change mitigation

[E1-1-17] HOWOGE currently satisfies several requirements of an ESRS transition plan for climate change mitigation:

a) The GHG reduction targets are in line with the 1.5°C target of the Paris Agreement (see *E1-4-34*).

b) Three decarbonization levers have been identified that contribute to attaining the emission reduction targets (see *E1-3-29*).

c) It has a CapEx plan for expanding the use of photovoltaic systems. The corresponding investments will be reported as part of a plan to expand taxonomy-aligned economic activities (see *E1-3-29*).

d) Moreover, the company has undertaken energy optimization measures and installed efficient system technology that qualify as taxonomy-aligned economic activities (see *E1-3-29*).

A timeline for satisfying the remaining ESRS requirements for a transition plan is under review. Information about the resilience of the business model and strategy can be found in *E1-SBM-3-19* and about GHG emission reduction targets in *E1-4-33, 34*.

E1-SBM-3: Material impacts, risks and opportunities and their interaction with strategy and business model

[E1-SBM-3-18] The following table shows whether the material climate-related risks identified are physical or transition risks:

Event/trend category	General climate-related event/trend	HOWOGE business activity analyzed
Acute physical risks	Heat stress, heatwave	Managing real estate
Acute physical risks	Drought/water scarcity	Managing real estate
Acute physical risks	Forest fires	Managing real estate
Acute physical risks	Tornadoes	Managing real estate
Acute physical risks	Heat stress, heatwave	Construction of new buildings
Acute physical risks	Heat stress, heatwave	Construction of new buildings
Acute physical risks	Drought	Construction of new buildings
Acute physical risks	Water scarcity	Construction of new buildings
Acute physical risks	Forest fires	Construction of new buildings
Acute physical risks	Tornado	Construction of new buildings
Acute physical risks	Heavy rain	Construction of new buildings
Acute physical risks	Heavy rain	Managing real estate
Acute physical risks	Extreme weather events, pluvial floods (as the direct result of rain), fluvial (river) floods	Construction of new buildings
Regulatory framework (transition risk)	New construction regulations for climate change adaptation	Construction of new buildings
Regulatory framework (transition risk)	Increase in carbon pricing for heating and motor fuels (German Fuel Emissions Trading Act, EU-ETS 2)	Construction of new buildings
Regulatory framework (transition risk)	Increase in European Emission Trading Scheme prices	Construction of new buildings
Regulatory framework (transition risk)	Tightening of statutory requirements to achieve international and national climate targets	Construction of new buildings
Regulatory framework (transition risk)	Tightening of statutory requirements for climate change adaptation	Construction of new buildings
Market (transition risk)	Declining assessment by market participants of buildings with low energy efficiency	Managing real estate
Regulatory framework (transition risk)	Higher energy efficiency requirements for the production of construction materials	Construction of new buildings

Climate-related resilience analysis

[E1-SBM-3-19] The climate-related resilience analysis was performed because HOWOGE identified a climate-related risk in its materiality assessment. HOWOGE performed the climate-related resilience analysis in the first half of 2024. This showed that HOWOGE's business models and strategies are resilient to climate-related risks in both pessimistic scenarios with extreme climate change and optimistic scenarios with ambitious climate change regulation. It is conceivable that the new construction unit could experience temporary pressure. In an unfavorable situation, slightly more time would be needed for the growth strategy.

Analysis framework and findings: The climate-related resilience analysis and the necessary analysis of climate-related risks that preceded it (see *E1-IRO-1-20b-c*) were performed in the first half of 2024 for the scope of consolidation defined by HOWOGE for the CSRD materiality assessment *(*see *ESRS 2 BP-1-5*).

A distinction is made between the two main HOWOGE business activities – managing real estate and constructing new real estate. HOWOGE's supply of energy to real estate and service activities such as cleaning are allocated to managing real estate. Constructing new real estate covers the construction of new residential real estate and the construction of new schools.

HOWOGE's material assets are residential buildings that it manages and schools that it lets to the State of Berlin.

The business model in managing real estate is based on letting residential units in the low-price segment of Berlin's housing market, focusing on the district of Lichtenberg and prefabricated high-rise buildings. Customers come from broad sectors of the population that require affordable housing.

The business model for constructing new real estate is based on the assumption that HOWOGE will add the newly constructed residential buildings to its own portfolio. Upon completion, newly constructed schools are let to the State of Berlin. To this end, a contractual agreement has been concluded between Berlin's Senate administration and HOWOGE.

Climate scenarios applied: Scenarios with extreme climate change – IPCC scenarios SSP3-7.0 and RCP 8.5 – were applied to assess the risks associated with extreme climate change. The regional assessment of climate impacts for the City of Berlin is based on IPCC climate model data for RCP 8.5 obtained from an external service provider when conducting the climate vulnerability analysis for the EU Taxonomy in 2022. The assessment shows that, by 2050, Berlin will be experiencing events such as more frequent heatwaves/heat stress, drought, water shortages and tornadoes. The Federal Environment Agency's climate impact and risk assessment for Germany was used in assessing the impacts on upstream value chains.

Scenarios with ambitious climate change regulation to restrict global warming: The assessment of the conditions that could restrict global warming to 1.5°C was based on the Net-Zero-Transition (NZE) scenario of the International Energy Agency (IEA) from May 2021. The IPCC SSP1-2.6 - scenario was also used. The IPCC Special Report on Global Warming of 1.5°C reveals that, in certain political and technical circumstances, the IPCC SSP1-2.6 scenario offers a pathway for stabilizing warming to 1.5°C by the end of the century. However, the best estimate for this scenario is 1.8°C. In addition, current and planned climate policy measures in Germany and Europe were considered. In order to achieve national and

European climate change mitigation targets, the European Emission Trading Scheme (EU-ETS) and the German Fuel Emissions Trading Act (BEHG) envisage pricing greenhouse gas emissions. The further tightening of regulatory requirements will additionally increase the costs of greenhouse gas emissions. The IEA NZE scenario aimed at restricting climate change to 1.5°C envisages GHG emission prices that will increase between 2030 and 2050. In the real estate sector, this has resulted in the rejection of fossil fuel heating systems. In addition, energy efficiency regulations are growing. The International Energy Agency's NZE scenario requires that, by 2030 at the latest, all new buildings must be constructed zero-carbon-ready[8] and existing building stock must be refurbished to achieve climate neutrality by 2050.

Resilience of HOWOGE's strategy and business model to climate change: Both the scenario with extreme climate change and the scenarios with ambitious climate change mitigation regulation result in risks to real estate and its management. For example, drought, water shortages or tornadoes may cause damage to buildings and green spaces. If the energy efficiency provisions and stipulations for replacing fossil heating systems with climate-compatible systems contained in the transition scenarios were to become law, substantial investment would be necessary.

However, the analysis shows only low risks to real estate management in the case of both extreme climate change and ambitious climate policy. The HOWOGE business model for the management of real estate will not be at risk because there will continue to be a demand for residential units in the low-price segment in Berlin. Some events (e.g., severe weather events or tightened modernization regulations) will occur and result in higher costs. However, it is to be expected that policymakers will continue to have an interest in the availability of low-cost housing and will develop regulations to ensure that municipal undertakings are still able to provide socially acceptable housing, despite a change in framework conditions.

The identified risks will not jeopardize HOWOGE's strategies for portfolio management (economic and environmental sustainability, expansion of rental-related services), property management (especially the company's own services and digitalization) and finance (including the issue of bonds).

HOWOGE constructs new residential real estate in order to grow its building portfolio, thus expanding the availability of low-cost housing. As part of Berlin's School Construction Program, HOWOGE constructs new schools and undertakes major school refurbishment projects on behalf of the State of Berlin. The costs of such projects are kept low thanks to good construction monitoring, customized equipment and financing.

Both the scenarios considered result in risks for new construction activities. For example, heatwaves may have a negative effect on various trades during construction and on the performance of workers on

[8] Zero-carbon-ready buildings are buildings that satisfy the technological requirements (especially insulation and heating) so that they can be operated in a climate-neutral manner. They use either directly renewable energy or energy sources that can be fully decarbonized, e.g., electricity or district heating.

construction sites, thus resulting in delays and higher construction costs. However, as a rule, this type of climate-related risk must be borne by the property developer and is thus assessed as low in respect of HOWOGE. However, the assumption of these risks by the property developer or its insurer implies higher costs in the long term if the events occur more than once.

In terms of the transition scenarios, there is then the risk that a large rise in GHG emission prices would result in a substantial increase in construction material costs. On the other hand, the tightening of construction regulations (e.g., energy efficiency, obligation to use renewable energy) motivated by climate change mitigation could push construction costs higher.

The construction of new schools does not seem to be vulnerable to these potential risks. Demand depends on the needs of the State of Berlin.

In the scenarios with ambitious climate policy, as described above, challenges may arise in connection with the construction of residential buildings. It is conceivable that new construction projects could come under pressure. This could have a negative impact on HOWOGE’s growth strategy (expansion of the residential portfolio by means of new construction and acquisitions). However, the company assumes that this would be only temporary and that HOWOGE would be able to adapt to such a change in conditions, as it has done in the past. If, for example, an increase in Emission Trading Scheme prices were to make steel and cement significantly more expensive, there would be the option of switching to other construction materials. HOWOGE is already using timber to construct buildings and is one of the leading companies in Germany in this technology.

The climate risks described do not fundamentally jeopardize either HOWOGE’s new construction business model or its growth strategy.

Data for determining climate-related risks are provided under *E1-IRO-20* and AR 11-15, followed by information on the resilience analysis procedure. They respond to the requirements described under E1 AR 6-8.

Resilience analysis procedure: All HOWOGE’s own operations and the associated value chains were considered in determining the climate-related risk. No material climate-related risks were excluded.

HOWOGE did not make any critical assumptions about how the transition to a low-carbon and resilient economy might affect macroeconomic trends, energy consumption and mix and the use of technologies. The information in the scenarios used was sufficient for assurance of the resilience analysis.

However, critical assumptions were applied in the scenarios used.

The following three critical assumptions were applied in the IEA Net-Zero-Emission-scenario (IEA NZE):

- Behavioral changes: If any of the behavioral changes assumed in the IEA NZE scenario are not achieved, CO_2 emissions in 2050 would be around 2.6 Gt higher. To avoid these emissions, it would be necessary to produce additional low-carbon electricity and hydrogen, for example. This would cost an additional USD 4b. The relevant behavioral changes include, for example, changes in travel behavior (air, travel, car use) and in the approach to heating and cooling rooms. These behavioral changes are to be incentivized by way of various instruments such as pricing, regulation and motivation.

- Bioenergy: The IEA NZE scenario envisages an increase of 60% in the use of bioenergy between 2020 and 2050. Although this is below the current estimates for globally available bioenergy potential, there is a high degree of uncertainty as to whether this figure can be achieved. If bioenergy use were to be around 10% lower in 2050, additional investment of USD 4.5b would be necessary to achieve net zero emissions in 2050.
- Carbon capture, utilization and storage (CCUS): If it were not possible to develop CCUS for fossil fuels, this would necessitate additional investment of around USD 15b in wind, solar and electrolyzer capacities. It would also delay progress in BECCS (bioenergy with carbon capture and storage) and DACCS (direct air carbon capture and storage). If it were not possible to deploy these technologies on a large scale, it would be far more difficult to achieve net zero emissions by 2050.

In particular, the following critical assumptions were applied in the IPCC SSP1-2.6 scenario:

- Global cooperation: To achieve the climate change mitigation targets, global cooperation is assumed in areas such as climate policy and technological development.
- Technological progress and behavior-related changes: Both factors are crucial in this scenario if a resource-friendly lifestyle and low energy consumption are to be achieved.
- Climate-friendly diets: SSP1-2.6 includes climate-friendly diets that reduce the need for carbon dioxide removal (CDR) technologies.
- Low barriers to reducing emissions: The scenario assumes that, compared with the other IPCC SSP scenarios, there are fewer technical, sociological and economic barriers to reducing emissions.

In accordance with the RCP 8.5 assessment, climate data for the Berlin location were obtained from the resilience analysis and considered in the course of the upstream climate-related risk and opportunity analysis (see *E1-IRO-1-20*) for the period from 2030 to 2050. HOWOGE assumes that the business model will remain stable during this period, which is slightly longer than the period used to define the absolute GHG emission reduction targets (see *E1-4-34*), ending in 2045.

The resilience analysis considered only qualitative but no quantitative aspects. No financial impacts were estimated. The financial impact of regulations that have already been adopted or are pending, of natural hazards and of climate change mitigation actions are considered in financial planning and/or risk management.

There are no uncertainties in the actual resilience analysis. It is uncertain whether the events or trends considered in the scenarios will actually occur. If relevant, climate change mitigation requirements and climate change adaptation actions are considered in major investment decisions.

The findings of the resilience analysis are presented at the start of this disclosure requirement. HOWOGE can adapt its business model to climate change. Adaptation measures implemented by HOWOGE include the use of trees resistant to climate change when establishing new green spaces, gradually replacing the plants in existing green spaces with resilient species, further training and development, unsealing surfaces, greening roofs and creating retention areas and roofs. The access to financing is monitored constantly by a dedicated department. Existing assets are modernized in a rolling process. Repurposing or closures are also possible. On the assumption that repurposing usually entails construction measures, this is usually a medium-term project. Closures can be implemented in the short term. The product and service portfolio cannot be relocated due to the locational ties to Berlin. Employees receive continuous training and development; these actions can be increased in the short term.

Management of impacts, risks and opportunities

E1-2: Policies related to climate change mitigation and adaptation

[E1-2-25] The areas of climate change mitigation, climate change adaptation and the use of renewable energy are anchored in the following strategies: 1. corporate strategy and therein in the portfolio management and growth strategies; 2. sustainability strategy; and 3. climate strategy.

The topics of climate change mitigation, climate change adaptation and renewable energy are integral to HOWOGE's corporate strategy. The following activities contribute to sustainability topics.

Climate change mitigation: CO_2 reduction/optimization of the carbon footprint, use of natural construction materials, waste management, energy optimization for long-term portfolio preservation and optimization of building service life.

Climate change adaptation: Unsealing surface areas to create green spaces, water management, green roofs for environmental use.

Use of renewable energy: Green electricity for tenants, e-mobility concepts and electric vehicles for employees, photovoltaic and solar energy, decentralized energy supply.

The corporate, sustainability and climate strategies do not address any energy efficiency topics or other topics relating to their material impacts, risks and opportunities in connection with climate change mitigation and climate change adaptation.

The sustainability strategy is derived from the corporate strategy. As part of the sustainability strategy, targets and actions in the areas of climate change mitigation, the achievement of a climate-neutral portfolio, climate change adaptation, life cycle analysis and the preservation of resources were formulated for the new construction and portfolio action area.

The climate strategy focuses on climate change mitigation, specifying decarbonization levers and the use of renewable energy. HOWOGE is concentrating on actions such as the expansion of renewable energy (especially photovoltaic energy). In 2023, a ten-year photovoltaic program was launched. Geothermal energy and wind power projects are also in the planning phase. HOWOGE's climate change mitigation target is a climate-neutral portfolio with emissions below 3 kg CO_2/sqm/year in 2045. For a further description of the targets and their MDRs, see *section E1-4-32*.

The three levers for achieving this intensity target are a) energy optimization; b) innovative system technology; and c) the use of low-carbon district heating.

E1-3: Actions and resources in relation to climate change policies

[E1-3-29] HOWOGE has identified the following as the main climate change mitigation actions:

- Energy optimization
- Innovative system technology (switch to different heating technologies like thermal pumps)
- Use of low-carbon district heating
- Use of renewable energy, especially photovoltaic systems

The aforementioned key climate change mitigation actions do not include any nature-based solutions in accordance with the ESRS definition. Of these key climate change mitigation actions, three are considered to be decarbonization levers that are part of HOWOGE's climate strategy:

- Energy optimization
- Innovative system technology
- Use of low-carbon district heating

Description of the outcomes of climate change mitigation actions

In 2024, three energy optimization projects were ongoing, one project was completed and seven further projects were being planned (as at December 2024). All projects concerned the refurbishment of the building envelope. Four ongoing projects related to innovative system technology, one project was completed and eleven further projects were being planned (as at December 2024). The individual projects cover the modernization of system technology, i.e., the simultaneous change of fuel and heat supply technology and the installation of a photovoltaic unit to produce electricity. Nine projects will involve the installation of thermal pumps and the optimization of heat distribution.

Another important lever in achieving HOWOGE's climate target is the provision of adequate quantities of low-carbon district heating by the energy industry. The condition for this is that the energy industry implements the German government's targets of exiting coal and increasing the use of renewable energy in producing energy and electricity. There is also a municipal heating plan that aims to provide long-term planning reliability regarding the availability of district heating to municipalities. The German Heat Planning Act (WPG) also contains mandatory targets for the decarbonization of heating networks. Berlin's local district heating supplier (BEW), for example, lists the use of waste heat, biomass, heat storage and power-to-heat systems as decarbonization measures. According to suppliers, decarbonization will take place in three stages:

- Exit from lignite combustion
- Exit from hard coal combustion
- Replacement of natural gas with non-fossil energy sources

HOWOGE is in dialog with its district heating suppliers and is strengthening this cooperation. Around 80% of HOWOGE's building stock is already connected to the district heating network.

Actual and expected GHG emission reductions

Extensive energy optimization such as structural measures in respect of building envelopes, roofs and windows and the replacement of heating systems will reduce primary energy demand in particular. This will result in fewer Scope -1 and -2 emissions from the combustion of fuels in the company's own stationary facilities and from the procurement of grid-based energy from suppliers for heating and cooling and for hot water in all existing buildings. These buildings house rental units for commercial and non-commercial use (apartments) and administrative units used by HOWOGE itself (office space). As at December 31, 2024, commercial property accounted for 1.5% of the total portfolio and 3.6% of the portfolio surface area (see *group management report, section 2.2.1 "Real estate portfolio"*). Due to the small proportion of commercial space and the fact that the businesses are small, these areas were not reported separately in the emission balance sheet in accordance with GdW Guideline 85.

In 2024, one project was completed that involved the refurbishment of the building envelope and the installation of photovoltaic units. For this project, the external planning office forecast GHG emission reductions of 25,075 kg of CO_2eq. Once all construction measures have been completed as planned, it can be assumed that the actual reduction will match the expected reduction. It will take one to two years for the GHG emission reductions achieved by the construction measures to be reflected in the GHG balance sheet. Whereas the emission reductions used in planning are calculated on the basis of energy demand, the GHG balance sheet is based on actual consumption figures. As a result, actual GHG emission reductions may be lower than expected due to tenants' consumption behavior. The expected reductions are currently not quantified for each decarbonization lever. In the medium term, the aim is to disaggregate the actual and expected GHG emission reductions. At present, the different effects of the three decarbonization levers on the reduction of GHG emissions are as follows:

- The energy optimization of buildings has a comparatively small effect.
- The use of innovative system technology has high CO_2 reduction potential.
- Low-carbon district heating has the largest CO_2 reduction potential.
- HOWOGE has analyzed the effects on the reduction potential/leverage. Levers one and two are within HOWOGE's sphere of influence. HOWOGE can develop options for action in respect of lever three. To this end, the company is negotiating with a district heating supplier. It has no direct influence.

Monetary amounts for CapEx and OpEx needed to implement the actions that have been initiated and planned

Energy optimization: An expert report by the relevant department showed that 20% of HOWOGE's total expenditure for complex annual and periodic maintenance in 2024 was used for energy optimization. Therefore, in 2024, of the total EUR 44,213.6k spent on complex maintenance measures, approx. EUR 8,842.7k (CapEx) was accounted for by energy optimization. This included replacing windows or insulating building envelopes and roofs. In the 2024 IFRS consolidated financial statements (see *notes to the consolidated financial statements* in *section 8.1 "Investment property"*), these capital expenditures were recognized under "Investment property" in the total of EUR 313,651k for "Acquisitions and other additions" for residential real estate.

Of the spending on periodic maintenance, a total of EUR 5,017k (OpEx) was accounted for by energy optimization. This includes the maintenance of roofs and the sealing of exterior components, facades and plinths. Periodic maintenance is reported in the consolidated financial statements under "Expenditure for managing buildings – thereof maintenance and modernization," which amounted to a total of EUR 46,118k in 2024 (see *notes to the consolidated financial statements in section 7.3 "Material expenses"*).

[ESRS 2-BP-2-11] Of the aforementioned CapEx amounts for annual, completed complex and periodic maintenance, a proportion is used for energy optimization and thus for climate change mitigation actions. The share of 20% for energy optimization is based on the department's expert estimation because it is not possible to allocate the spending exactly to individual actions. As a result, this estimate is subject to a high degree of measuring uncertainty. The CapEx for future energy optimization projects and planning will be determined separately.

Innovative system technology: In 2024, investments (CapEx) of EUR 4,602.7k were made in efficient heating systems. These investments concerned especially the conversion of heating systems from oil to natural gas, connection to the district heating network and the installation of thermal pumps. The investments in efficient heating systems are reported in the consolidated financial statements under "*Additions* *of technical installations and equipment.*" These amounted to EUR 9,003k in 2024 (see *section 8.3 "Property, plant and equipment"*) and also included the investments for expanding photovoltaic systems (see below). The company aims to achieve differentiation.

Expansion of renewable energy:

In addition to the decarbonization levers, HOWOGE has approved an advanced pathway for renewable energy that will focus mainly on expanding photovoltaic energy by 2033. Climate-neutral electricity is to be available for the entire portfolio by 2033. In 2024, a total of EUR 3,986k (CapEx) was invested in expanding photovoltaic systems. Other options are being developed, for example, the use of wind power and geothermal energy.

Relation to the performance indicators of Delegated Regulation (EU) 2021/2178

Energy optimization and system technology:

In contrast to the disclosures in the consolidated financial statements, it is not possible to disaggregate taxonomy-eligible and taxonomy-aligned capital and operating expenditures between the decarbonization levers of energy optimization and innovative system technology. The investments allocated to CCM 7.7 "Acquisition and ownership of buildings" are directly related to residential property management and cover both the complex maintenance of existing buildings and investments in new buildings or in installations in and on buildings. In addition, the taxonomy-related CapEx and OpEx disclosures include activities that are not connected with the actions relating to the decarbonization levers. In 2024, a total of EUR 366,640k was reported as taxonomy-eligible investments, EUR 49,960k of which as taxonomy-aligned investments, for environmental objective I (climate change mitigation) allocated to economic activity CCM 7.7.

The taxonomy-eligible operating expenditures (OpEx) include direct, non-capitalized operating expenses relating to research and development, the refurbishment of buildings, short-term leases, maintenance and repair. At HOWOGE, they include, e.g., the costs of maintenance and repair for the company's leased and own buildings and the associated (building) technology, as well as the non-capitalized services for the periodic maintenance of the company's own buildings. In 2024, EUR 78.5m of HOWOGE's reportable operating expenditure was taxonomy-eligible and 27.1% of the OpEx was taxonomy-aligned. All of these expenditures were allocated to economic activity CCM 7.7 and thus almost entirely to maintenance.

Since 2023, as part of its photovoltaic program, HOWOGE has been investing in systems that feed PV electricity (not landlord-to-tenant electricity) in its entirety into the grid. The investment plan for these installations covers the period from 2023 to 2033 (ten years) and is deemed a capital expenditure plan. The corresponding investments will be reported as part of a plan to expand taxonomy-aligned economic activities. In 2024, this CapEx was allocated to economic activity CCM 4.1 "Electricity generation using solar photovoltaic technology” for environmental objective I (climate change mitigation) and amounted to EUR 3,986k in fiscal year 2024. The CapEx plan envisages investment of EUR 71m through 2033. The CapEx associated with photovoltaic units is classified as taxonomy-aligned because these units are used to produce electricity and all the DNSH criteria are satisfied by the CapEx plan (see *Chapter EU Taxonomy*).

The table below provides a summary of the substantial monetary amounts for CapEx and OpEx that are required for completed or planned actions and which are allocated to the relevant items in the financial statements (see the column “Included in the consolidated financial statements for 2024”) and to the key performance indicators in accordance with Commission Delegated Regulation (EU) 2021/2178 (see the column “Included in the taxonomy reporting for 2024”).

<table>
<tr><th>EUR k</th><th>2024</th><th>Included in the consolidated financial statements for 2024</th><th>Included in the taxonomy reporting for 2024</th></tr>
<tr><td>CapEx for energy optimization</td><td>8,843</td><td>EUR 313,651k for “Acquisitions and other additions”</td><td rowspan="3">EUR 366,640k taxonomy-eligible, of which EUR 49,960k taxonomy-aligned, CCM 7.7 “Acquisition and ownership of buildings”</td></tr>
<tr><td>OpEx for periodic maintenance</td><td>5,017</td><td>EUR 46,118k for “Expenditure for managing buildings – thereof maintenance and modernization”</td></tr>
<tr><td>CapEx for innovative system technology</td><td>4,603</td><td rowspan="2">EUR 9,003k for “Additions of technical installations and equipment” (incl. photovoltaic systems)</td></tr>
<tr><td>CapEx for photovoltaic systems</td><td>3,986</td><td>EUR 3,986k for CCM 4.1 “Electricity generation using solar photovoltaic technology” for environmental objective 1 “climate change mitigation”</td></tr>
</table>

E1-4: Targets related to climate change mitigation and adaptation

Further development of the risk management process

[E1-4-32] HOWOGE has set itself the qualitative target of consistently developing its risk management process.

[ESRS-2-MDR-T-81b] Three processes are used to monitor the effectiveness of the policies applied by HOWOGE in relation to the material sustainability-related impacts, risks and opportunities. The effectiveness of the actions is not monitored.

Processes:

- IDW PS 981 certification of the risk management system in 2025
- At least two risk workshops to be held by HOWOGE in 2025 to explore climate risks in greater depth and integrate these in the standard risk catalog if necessary
- Howoge regularly monitors the sustainability target

Reduction of the portfolio's CO_2 intensity

[E1-4-32] HOWOGE has set itself the target of consistently reducing the emission intensity of its portfolio to below 3 kg CO_2/sqm/a by 2045.

[ESRS-2-MDR-T-80a] The climate target is derived from the Federal Climate Action Act (KSG), which specifies requirements up to 2040. The housing industry target of 3.43 kg CO_2eq/sqm/a in 2040 is calculated from the KSG sector budgets. In accordance with the KSG definition, a reduction of 88% compared with 1990 has been achieved. Extrapolated to 2045, this gives a target of 1.37 kg CO_2eq/sqm/a.

HOWOGE also gives consideration to Berlin's Energy and Climate Protection Act (BEK). Emissions of 3 kg CO_2/sqm in 2045 are calculated from the BEK sector budgets. This is HOWOGE's definition of a climate-neutral portfolio.

[ESRS-2-MDR-T-80b] The values in accordance with the KSG and BEK given under ESRS-2-MDR-T-80a are intensity targets. The unit of measurement is kg CO_2eq/sqm/a for the KSG and CO_2/sqm/a for the BEK.

[ESRS-2-MDR-T-80c] HOWOGE's target covers the reduction of Scope 1 and 2 emissions for heating, hot water and shared electricity in HOWOGE's building stock. This does not include the Scope -3 emissions (emissions in the value chain). Most of HOWOGE's portfolio is located in Berlin (geographical limits). The target relates to rented buildings (letting) and new builds that are added to the portfolio (new construction).

[ESRS-2-MDR-T-80d] Annual progress monitoring is performed by comparing the interim targets with the respective intensity values calculated on the basis of the current emission balance for the same year. In accordance with the statutory requirements, 1990 is the reference year for the climate strategy in accordance with the KSG and BEK. In accordance with the KSG, the base value in t CO_2eq in 2023 was 81,028.9. In accordance with the BEK, the base value in t CO_2 in 2023 was 80,981.45.

[ESRS-2-MDR-T-80e] The KSG covers the period from 2020 to 2040. An interim target of 10.1 kg CO_2eq/sqm/a was calculated for 2030 on the basis of the KSG. The BEK covers the period from 2020 to 2045. An interim target of 18 kg CO_2/sqm/a was calculated for 2030.

[ESRS-2-MDR-T-80f] HOWOGE's climate targets are derived from the greenhouse gas budget from the KSG (2021) and BEK (2019) (methods). To calculate the building sector budget, HOWOGE applies the KSG as amended in 2021 and the absolute BEK sector targets (significant assumption). The consumption data for heating, hot water and shared electricity are used. An emission reduction counteracts global warming and contributes to achieving national (KSG and BEK), European (European Green Deal, EU Climate Law) and international (Paris Agreements, SDGs) political targets and to sustainable development locally (in Berlin). The KSG conforms with the Paris climate target which is why HOWOGE's climate target is deemed to also conform with the Paris climate target.

[ESRS-2-MDR-T-80g] Both climate pathways are derived from federal and state regulations. The KSG and BEK have the targets of net GHG neutrality and climate neutrality, respectively. Both have the objective of restricting global warming to significantly less than 2°C in accordance with the Paris Agreement. The KSG conforms with the Paris climate target. The sector and industry targets defined in the regulations are based on scientific findings.

[ESRS-2-MDR-T-80h] Internal stakeholder groups / significant departments are considered in workshops and management board approval.

[ESRS-2-MDR-T-80i] As this is the first report, there are no changes to the target or target process.

[ESRS-2-MDR-T-80j] HOWOGE's performance in comparison with the emission reduction targets defined in the climate strategy, which is measured relative to the intensity values calculated on the basis of the GHG balance sheet.

2024	KSG CO_2eq/sqm	BEK CO_2/sqm
Climate strategy target value	15,62	28,71
Intensity in accordance with the GHG balance sheet	15,50	15,49

The target is monitored half-yearly by the experts of HOWOGE's sustainability team. The results of monitoring are shared with the management board. The sustainability function has created the role of climate manager, who coordinates the work to review HOWOGE's climate target with the experts at HOWOGE's heating subsidiary (which provides consumption data) and from the company's controlling, asset and portfolio management and technical management functions. HOWOGE'S progress conforms with the original planning. In the course of developing the climate strategy, it was determined that HOWOGE's target for 2035 is achievable but that achieving the target after 2035 will be challenging given the current economic and political situation (trend analysis). For further information, see *E1-4-34*.

Consideration of sustainability criteria in new construction and refurbishment projects

[E1-4-32] HOWOGE has set itself the qualitative target of giving greater consideration to sustainability criteria when planning and implementing new construction and refurbishment projects.

[ESRS-2-MDR-T-81b] Three processes as well as two targets and indicators are used to monitor the effectiveness of the policies applied by HOWOGE in relation to the material sustainability-related impacts, risks and opportunities. The effectiveness of the actions is not monitored.

Processes:

- HOWOGE is seeking to reduce the degree of surface sealing on sites in its own new construction projects. It is also implementing various measures to manage rainwater and foster biodiversity.
- HOWOGE is improving annual primary energy demand in at least three selected existing buildings.
- HOWOGE regularly monitors the sustainability target.

Targets:

- In the coming five years, HOWOGE is seeking to achieve a CO_2 balance of ≤ 25 kg CO_2eq/sqm NRF*a in all of its own new construction projects (planning status: until award of the construction permit). The indicator for assessing progress is the project-specific greenhouse gas potential in kg CO_2eq/sqm NRF*a, as shown by the life cycle analysis. The reference period is January 1, 2025.
- In the pilot project, HOWOGE is seeking to reduce drinking water consumption by at least 30% and heating energy consumption by around 10-15 kWh/cbm. The indicator for assessing progress is the average drinking water consumption in cbm/person/a or cbm/residential unit/a and the average heating consumption in kWh/cbm. The reference period is January 1, 2025.

HOWOGE’s approach of seeking to implement planning measures in all of its own new construction projects which have a positive influence on tenants’ ventilation habits is contributing to achieving the following target: We are working consistently to reduce our consumption of resources and waste and to implement circular economy processes. For further information, see *E5-3-23*.

Science-based GHG reduction targets and compatibility with the 1.5° Celsius target

[E1-4-34] As part of its climate strategy, HOWOGE has set itself the target at group level of reducing emissions from its building stock to below 3 kg CO_2/sqm/a (approx. 95,566.3 t CO_2) in 2045 with the aid of the actions described in *E1-3-29*.

The KSG covers the period from 2020 to 2040. An interim target of 10.1 kg CO_2eq/sqm/a (approx. 53,623.3 t CO_2eq) was calculated for 2030 on the basis of the KSG. The BEK covers the period from 2020 to 2045. An interim target of 18 kg CO_2/sqm/a was calculated for 2030.

The disclosure of CO_2 and CO_2eq is specified by the regulatory frameworks (KSG and BEK) used by HOWOGE to develop its climate strategy. The climate target of below 3 kg CO_2/sqm for 2045 is derived from the Berlin Energy and Climate Protection Program because the Federal Climate Protection Act stipulates no targets beyond 2040.

The targets and interim targets cover Scope 1 and 2 emissions from the combustion of fuels in the company's own stationary facilities and the procurement of grid-based energy from suppliers for heating and cooling and for hot water in all existing buildings. No Scope 3 target has been formulated. A Scope 3 balance was prepared for the first time for 2024. The KSG and BEK climate targets disclosed are combined targets for Scope 1 and 2 emissions. Until now, HOWOGE has not defined percentage targets that differentiate between Scope 1, 2 and -3 emissions. However, it aims to do so in the medium term. It is estimated that the emissions in the target years will break down in a similar way to Scope 1 and -2 emissions at present, i.e., approx. 20 to 30% of total Scope 1 and -2 emissions will be accounted for by Scope 1 emissions and approx. 70-80% by Scope 2 emissions. The reason for the higher proportion of Scope 2 emissions is the supply of heating to the HOWOGE portfolio, just under 80% of which is covered by district heating. The actions associated with the decarbonization levers – energy optimization and increased use of innovative system technology (for use of new technologies, see *E1-3-29*) – contribute to reducing Scope 1 and 2 emissions. The reducing effect of decarbonizing district heating is assigned in full to Scope 2.

The calculations for the climate targets and the GHG balance sheet differ in the following respects:

- The base year for the GHG balance sheet is 2023. In accordance with the statutory requirements, 1990 is the reference year for the climate strategy in accordance with the KSG and BEK. In accordance with the KSG and BEK, 2023 was defined as the base year.
- In terms of the climate pathway, the KSG uses CO_2 equivalents and the BEK uses CO_2. Unless otherwise stated in the footnotes, the GHG balance sheet reports all emissions as CO_2 equivalents and covers all relevant greenhouse gases in accordance with the Kyoto Protocol.

HOWOGE's intensity metrics are crucial to assessing emission volumes. They are calculated on the basis of the annual emission balance sheet, which allows comparison of the current situation with the targets set. The percentage deviation of the GHG inventory in base year 2023 (Scope 1 and 2: district heating, natural gas, heating oil and share electricity) from the GHG balance sheet in 2023 is 0.11% (KSG) and from the BEK climate target is 0.16%. The Federal Climate Protection Act aims to align the German economy with the 1.5° Celsius target of the Paris Agreement. HOWOGE is not exempt from the EU Paris-aligned Benchmarks. In order to operationalize the 1.5° Celsius target of the Paris Agreement for Germany, the German Advisory Council on the Environment (SRU) used the global residual budget calculated by the IPPC to determine a residual budget for Germany as the basis for the KSG. This method allocates Germany's share of total emissions on the basis of its population. In this way, the SRU calculated a residual budget for Germany of 6.7 gigatonnes of CO_2 equivalents from 2020 and broke this figure down into sector budgets for the German economy.

The climate target is therefore based on science and compatible with limiting global warming to 1.5° Celsius. It was developed in collaboration with a specialist agency and discussed with peers in the context of the Wohnen 2050 housing initiative, for example, and deemed to be externally assured.

E1-5: Energy consumption and mix

[E1-5-37–43, ESRS-2-MDR-M-77b] No external validation was performed for these and all other reported metrics.

Excerpt from information on the financial performance, assets, liabilities and financial position	Unit	2022	2023	2024
Net revenue[1]	EUR m	515,3	541,1	732,2
Net revenue in high climate impact sectors	EUR m	515,3	541,1	732,2

[1] HOWOGE develops, acquires and manages residential and non-residential buildings and focuses all its activities on this purpose. Therefore, 100% of net revenue are attributable to NACE codes L68 and F41. This allocation corresponds fully to net turnover in the income statement

Energy consumption	Energy mix	Unit	2023	2024
Fossil sources				
Direct	Fuel consumption from coal and coal products	MWh	0,00	0,00
Direct	Fuel consumption from crude oil and petroleum products	MWh	694,45	526,28
Direct	Fuel consumption from natural gas	MWh	111.998,91	106.511,24
Direct	Fuel consumption from other fossil sources	MWh	0,00	0,00
Indirect	Consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources	MWh	345.149,81	326.930,41
Direct and indirect	**Total energy consumption from fossil sources**	**MWh**	**457.843,17**	**433.967,93**
Direct and indirect	**Proportion of fossil energy consumption**	**%**	**95,33**	**95,08**
Nuclear sources				
Indirect	**Total energy consumption from nuclear sources**	**MWh**	**0,00**	**1,54**
Indirect	**Proportion of nuclear energy consumption**	**%**	**0,00**	**0,00**
Renewable sources				
Direct	Fuel consumption for renewable sources including biomass and waste of biologic origin	MWh	0,00	0,00
Indirect	Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources[1]	MWh	22.445,56	22.445,56
Direct	Consumption of self-generated non-fuel renewable energy.	MWh	0,00	0,00
Direct and indirect	**Total energy consumption from renewable sources**	**MWh**	**22.445,56**	**22.445,56**
Direct and indirect	**Proportion of renewable energy consumption**	**%**	**4,67**	**4,92**

Energy consumption	Energy mix	Unit	2023	2024
Total[2)]				
Direct and indirect	**Total energy consumption**	**MWh**	**480.288,73**	**456.415,03**
Direct and indirect	**Energy intensity**	**MWh/EUR**	**0,000888**	**0,0006233**
Direct and indirect	**Energy intensity in high climate impact sectors (L68 and F41 in accordance with Annex I (9) of Delegated Regulation (EU) 2022/1288*)**	**MWh/EUR**	**0,000888**	**0,0006233**
Direct	**Production of renewable energy**	**MWh**	**1.524,00**	**2.348,02**
Direct	**Production of non-renewable energy**	**MWh**	**0,00**	**0,00**

1) In 2024, there was a significant increase in the purchase of electricity, heat, steam and cold from renewable sources. A particular contribution to this development came from the increase in the use of renewable energy in the heat purchased from the heating network operator.

2) No consumption figures for electricity and heat from natural gas and district heating in 2024. The electricity data for 2023 were applied in 2024. The heat data were extrapolated from the heating consumption data for 2023, taking account of the climate conditions and portfolio changes in 2024. No consumption data were available for approx. 4% of heating consumption in 2023.

E1-6: Gross Scope 1, 2, 3 emissions and total GHG emissions

[E1-6-44, 52-55]

	Base year 2023	Reference year 2023	Reporting year 2024	Delta (N/N-1)	Stage targets and target years 2025	2030	Annual % of target/base year
Scope 1 GHG emissions							
Gross Scope 1 GHG emissions (in t CO_2eq)	N/A	22.876,56	21.686.69	-5,20%	N/A	N/A	N/A
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (in %)	N/A	0	0	0	N/A	N/A	N/A
Scope 2 GHG emissions							
Gross location-based Scope 2 GHG emissions (in t CO_2)[1)]	N/A	92.319,74	87.879,77	-4,81%	N/A	N/A	N/A
Gross market-based Scope 2 GHG emissions (in t CO_2eq)[2)]	N/A	58.237,90	55.173,32	-5,26%	N/A	N/A	N/A
Significant Scope 3 GHG emissions							
Total gross indirect (Scope 3) GHG emissions (in t CO_2eq)	N/A	N/A	209.054,14	N/A	N/A	N/A	N/A
3.1 Purchased goods and services (in t CO_2eq)[3)]	N/A	N/A	123.937,81	N/A	N/A	N/A	N/A
3.2 Capital goods (in t CO_2eq)	N/A	N/A	9.069,34	N/A	N/A	N/A	N/A
3.3. Fuel and energy-related activities (not included in Scope 1 or 2) (in t CO_2eq)	N/A	N/A	19.292,91	N/A	N/A	N/A	N/A
3.4 Upstream transportation and distribution (in t CO_2eq)[4)]	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	Base year 2023	Reference year 2023	Reporting year 2024	Delta (N/N-1)	Stage targets and target years 2025	2030	Annual % of target/base year
3.5 Waste generated in operations (in t CO_2eq)[4)]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3.6 Business travel (in t CO_2eq)[4)]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3.7 Employee commuting (in t CO_2eq)[4)]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3.8 Upstream leased assets (in t CO_2eq)[4)]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3.9 Downstream transportation (in t CO_2eq)[4)]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3.10 Processing of sold products (in t CO_2eq)[4)]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3.11 Use of sold products (in t CO_2eq)[4)]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3.12 End-of-life treatment of sold products (in t CO_2eq)[4)]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3.13 Downstream leased assets (in t CO_2eq)[5)]	N/A	N/A	56.754,08	N/A	N/A	N/A	N/A
3.14 Franchises (in t CO_2eq)[4)]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3.15 Investments (in t CO_2eq)[4)]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total GHG emissions							
Total GHG emissions (location-based) (in t CO_2eq)[6)]	N/A	115.196,30	318.620,60	175,59%[8)]	N/A	N/A	N/A
Total GHG emissions (market-based) (in t CO_2eq)[7)]	N/A	81.114,45	285.914,15	252,48%[8)]	N/A	N/A	N/A
Total GHG emissions (location-based) per net revenue (in t CO_2eq/EUR)	N/A	0,000213	0,000435	104,40%[8)]	N/A	N/A	N/A
Total GHG emissions (market-based) per net revenue (in t CO_2eq/EUR)	N/A	0,000150	0,000390	160,49%[8)]	N/A	N/A	N/A

1) The location-based emission factors for electricity and district heating provided by the Berlin-Brandenburg Office for Statistics consider only CO2.

2) The emission factor used to calculate the emissions from district heating in a Carnot cycle considers only CO2.

3) Also includes emissions from upstream and downstream transportation. The goal is to disclose transportation emissions separately.

4) Not significant Scope 3 categories.

5) The first two schools were completed in 2024. Their Scope 1 and 2 emissions resulted in a dramatic increase in emissions compared with 2023.

6) The Berlin-Brandenburg Office for Statistics considers renewable forms of energy such as hydroelectric power, wind power, solar power, biogas, biomethane and biodiesel to be carbon neutral. It can be assumed that this is why no methane and NO2 emissions are included in the emission factors.

7) The emission factor used to calculate the emissions from district heating in a Carnot cycle considers only CO2.

8) Scope-3 emissions were considered in the reporting year but not in the reference year.

						Stage targets and target years
	Base year 2023	**2025**	**2030**	**2040**	**2045**	**Annual % of target/base year**
Combined GHG emission reduction targets (Scope 1 and 2)						
In t CO_2eq in accordance with the KSG[1)]	81.028,09	72.448,80	53.623,30	18.719,19	N/A	5%
In t CO_2 in accordance with Berlin's Energy Transition Act[1)]	80.981,45	132.783,70	96.234,20	27.245,67	13.149,88	4%

[1)] Covers Scope 1 and 2 for natural gas, oil, district heating and shared electricity; no targets for Scope 3; The emission factor used to calculate the emissions from district heating in a Carnot cycle considers only CO^2.

[E1-6-44, 48] HOWOGE's corporate carbon footprint (CCF) covers all relevant greenhouse gases in accordance with the Kyoto Protocol. The greenhouse gases considered include CO_2, CH_4, N_2O, HFCs, PFCs, SF_6 and NF_3. They are expressed in CO_2 equivalents (CO_2eq). In the case of some emission sources, only CO_2 emission factors are available. This is stated transparently in a footnote to the GHG balance sheet.

The base year of 2023 is used to measure progress in respect of the target. In 2023, the average annual temperature of 10.9° Celsius for the Berlin/Brandenburg region was close to the four-year average of 10.7° Celsius for the period from 2021 to 2024. It was therefore neither a particularly warm nor cold year that would significantly influence energy consumption and the associated greenhouse gas emissions.

Relation of energy consumption and gross GHG emissions to the material impacts, risks and opportunities

Gross Scope 1, 2 and 3 GHG emissions and total emissions are examined in relation to the climate targets in order to achieve reductions. HOWOGE's energy consumption and mix are also considered. The aim is to minimize the risks and costs of adaptation measures and climate regulation and leverage the opportunities provided by investing in renewable energy.

Minimum disclosure requirement 77a, b

The GHG balance sheet was developed in accordance with the GHG Protocol (method). HOWOGE calculates its expected energy consumption using a weather adjustment factor based on energy consumption assumptions from the previous year and external data obtained from the German Weather Service (assumption). For some buildings, no year-by-year consumption data are available (limit). The annual energy consumption data for the residential buildings are recorded by an external service provider and supplied to HOWOGE. Other than that, no external providers are involved in preparing or measuring the metrics.

[E1-6-48] HOWOGE uses the ESRS application requirements and the GHG Protocol in compiling the necessary information about gross Scope 1 GHG emissions. Scope 1 emissions include greenhouse gases from stationary and mobile combustion and were calculated using emission factors from the UK Department for Energy Security and Net Zero. The reasons for choosing this emissions database were its annual updating, free accessibility and transparency. The share of biogenic CO_2 emissions from the combustion or biodegradation of biomass is not reported separately. The emission factors used do not show a separate amount for biogenic emissions or the share of biogenic energy sources used is smaller than 1%, so separate reporting of the emissions is insignificant. HOWOGE does not purchase greenhouse gas certificates and, as a matter of principle, excludes these from the calculation of Scope 1 GHG emissions. HOWOGE does not perform any activities that must be reported in the context of the EU-EHS.

[E1-6-44, 49] HOWOGE uses the ESRS application requirements and the GHG Protocol in calculating the gross Scope 2 GHG emissions. The share of biogenic CO_2 emissions from the combustion or biodegradation of biomass is not reported separately. The emission factors used do not show a separate amount for biogenic emissions or the share of biogenic energy sources used is smaller than 1%, so separate reporting of the emissions is insignificant. HOWOGE procures electricity and heat from the corresponding suppliers but does not purchase greenhouse gas certificates and excludes these from the calculation of Scope 2 emissions. As they represent average values for the regional grids, emission factors from the Berlin-Brandenburg Office for Statistics were used to calculate location-based emissions. Supplier-specific emission factors were used if available. All purchased electricity originates from bundled instruments – mainly green electricity and a small amount (less than 1%) of conventional electricity. These bundled instruments account for 6.4% of Scope -2 energy consumption.

[ESRS 2-BP-2-11] In accordance with E1-6, current consumption values for the reporting year are to be used for the GHG balance sheet. However, as a rule, the invoicing of operating costs in a fiscal year in connection with district heating and natural gas consumption is not available in time. This means that actual consumption data for the reporting period are not available until the report for the next fiscal year is prepared. Regular processes exist for invoicing operating costs. They usually take two to three quarters and, due to existing contractual and technical conditions, cannot be accelerated. As a result, HOWOGE's invoicing of operating costs and the associated information about actual heating energy consumption (district heating and natural gas) in 2024 will likely not be available until the reporting for the 2025 fiscal year is prepared. As this delay in invoicing operating costs for residential units is not a HOWOGE-specific problem, a working group from the National Association of Housing Companies (GdW), the Association of Housing Companies in Rhineland Westphalia (VdW) and representatives of major housing companies have developed a joint approach to satisfy the requirements of CSRD reporting. This approach is applied in preparing HOWOGE's GHG balance sheet and is based on a weather-related adjustment of the previous year's (2023) consumption of district heating and natural gas. These adjusted consumption data are then applied for 2024, together with the assumed heating-related energy consumption data due to portfolio changes. These are based on the surface area (square meters) and energy coefficients of the buildings and takes account of monthly additions and disposals. In a final step, these energy consumption data are adjusted for the weather conditions to provide a valid estimate for 2023 as the basis. As a result, this estimate is subject to a high degree of measuring uncertainty.

[E1-6-44, 50] HOWOGE uses the operational control approach to determine the scope of consolidation for the GHG balance sheet in accordance with the GHG Protocol (cf. Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard). In other words, HOWOGE considers all the emissions of facilities over which it has operational control and for which it is able to implement actions and policies. HOWOGE has operational control over all subsidiaries and has extensive operational control over the management of operations. These subsidiaries include: HOWOGE Servicegesellschaft mbH (100%), HOWOGE Wärme GmbH (100%), Kramer + Kramer Bau- und Projektmanagement GmbH (100%), HOWOGE Reinigung GmbH (100%), ATOZ GmbH (100%), Entwicklungsgesellschaft Elisabeth-Aue GmbH (50%) and property holding companies. All rental units are owned by HOWOGE and 13 property holding companies that are also part of the scope of consolidation. The scope of consolidation used here is the same as that used in the annual financial statements.

[E1-6-44, 51] HOWOGE uses the ESRS application requirements in compiling the necessary information about gross Scope 3 GHG emissions. The share of biogenic CO_2 emissions from the combustion or biodegradation of biomass is not reported separately. The emission factors used do not show a separate amount for biogenic emissions or the share of biogenic energy sources used is smaller than 1%, so separate reporting of the emissions is insignificant. HOWOGE does not purchase greenhouse gas certificates and, as a matter of principle, excludes these from the calculation of Scope 3 GHG emissions. The calculation used emission factors from the Supply Chain Greenhouse Gas Emission Factors v1.2 by NAICS-6 database of the U.S. Environmental Protection Agency, from the UK Department for Energy Security and Net Zero and from the Berlin-Brandenburg Office for Statistics. These emission databases were chosen for their size and the fact that they are updated regularly and are freely available.

Scope 3 categories: The significant Scope 3 categories on which HOWOGE reports in its annual sustainability statement include all emissions which are equal to or higher than 3% of total Scope 3 emissions or which are considered as material for the housing industry in accordance with Guideline 85/2024. The assessment of significance is based on estimates of all Scope 3 categories using 2023 data for the entire scope of consolidation including ATOZ GmbH. The table above lists all significant Scope 3 categories and the associated GHG emissions.

The following categories were excluded from the Scope 3 GHG emissions inventory:

Below the significance threshold:

- 3.5 "Waste generated in operations"
- 3.6 "Business travel"
- 3.10 "Employee commuting"

Not applicable to HOWOGE:

- 3.8 "Upstream leased assets"
- 3.10 "Processing of sold products"
- 3.11 "Use of sold products"
- 3.12 "End-of-life treatment of sold products"
- 3.14 "Franchises"
- 3.15 "Investments"

Explanations of the calculations:

3.1 Goods and services

The emissions were calculated on the basis of a cost approach using a list of creditors that includes all subsidiaries. As the amounts cannot be extracted from the total costs, the emissions for upstream and downstream transportation are included in 3.1. Economic activities and corresponding specific emission factors were allocated to the largest items on the creditor list, which accounted for 84% of the total costs. An average emission factor was applied for the remaining 16% of the creditor list.

3.2 Capital goods

The cost approach was used for the calculation. The additions to property, plant and equipment as presented in the IFRS financial statements were used as the costs of capital goods.

3.3 Fuel- and energy-related activities

On the basis of the calorific values for the consumption under Scope 1 and 2 of electricity and district heating produced from fossil energy, the upstream emissions for the extraction, production and transportation of the energy sources (WTT) and for the transmission and distribution (T&D) losses were calculated for the electricity and district heating procured.

3.13 Downstream leased assets

If not included in HOWOGE's GHG balance sheet in 3.13, the Scope -1 and -2 emissions of the building stock were estimated. These included the emissions from electricity procured by tenants and from new school construction. Floor area clusters were established for the estimates. Certain households and an average number of appliances with their average consumption were allocated to these clusters. The assumptions made are based on industry association publications. Consumption data were available for the schools.

A total of 9.4% of the Scope 3 emissions were calculated on the basis of primary data[9].

[ESRS 2-BP-2-10, 11] A first estimate of the Scope 3 emissions was made using average sector data for the following scope categories: 3.1 "Purchased goods and service" and 3.2 "Capital goods." The average sector data may deviate from the data for the entity-specific activities. The database for average sector data was chosen for its size and the fact that it is updated annually and is freely available.

In addition, due to limited data availability, estimates were made on the basis of the costs for the following categories: 3.1 "Purchased goods and services" and 3.2 "Capital goods." The cost approach may

[9] Primary data were used in categories 3.13 and 3.3. Primary data from 2023 were used for category 3.3.

distort the emission balance sheet, especially if sustainable alternatives were chosen that are often associated with higher costs. As a result, this estimate is subject to a high degree of measuring uncertainty.

Tenants' electricity consumption was estimated for Scope 3.13 "Rented and leased property, plant and equipment." Floor area clusters were established for the estimates. Certain households and an average number of appliances with their average consumption were allocated to these clusters. The assumptions made are based on industry association publications.

3.2.3 E5 Resource use and circular economy

Policies

In connection with this topic-specific standard, various policies are listed which are explained on the basis of the respective minimum disclosure requirements.

Corporate strategy

The presentation of the corporate strategy complies with the minimum disclosure requirements contained in topical standard E1. See *corporate strategy*.

Material IROs relating to the corporate strategy: Maintenance (impact).

Sustainability strategy

The presentation of the sustainability strategy complies with the minimum disclosure requirements contained in topical standard E1. *See sustainability strategy*.

Material IROs relating to the sustainability strategy: Maintenance (impact).

Management of impacts, risks and opportunities

E5-1: Policies related to resource use and circular economy

[E5-1-14] HOWOGE has identified as a material impact the fact that predictive maintenance and refurbishment contributes to extending building life cycles. As a result, the sub-topic of resource outflows – including information about products and materials – is material.

The use of predictive maintenance and refurbishment to extend building life cycles is integrated into the corporate strategy. The sustainability strategy is derived from the corporate strategy and defines the material topic of life cycle analysis and preservation of resources in the new construction and portfolio action area. A group work instruction contains a standardized description of the terms maintenance and repair. It also defines the associated strategic responsibility and the operational implementation of the processes. In addition, it describes the interfaces between functions and processes.

In order to extend the life cycle of buildings, HOWOGE is implementing measures such as the energy optimization of its real estate portfolio. In 2024, the refurbishment of five schools was planned in accordance with the Guidelines for the Refurbishment of Schools and the General Administrative Regulation for Procurement and the Environment (VwVBU). HOWOGE is aiming to perform an energy classification of all existing schools to determine which refurbishment measures have the most sustainable effect.

E5-2 Actions and resources related to resource use and circular economy

[E5-2-19] HOWOGE is implementing the following actions in connection with resource use and circular economy.

Action 1: Review of all residential construction projects for the possible use of sustainable construction products and materials

Expected results of the action: By reviewing all residential construction projects for the possible use of sustainable building products and materials, HOWOGE expects to produce a general overview of the projects in which sustainable building products and materials can be used. In addition, HOWOGE is sending a signal to the market that it is interested in using sustainable building products and materials.

Contribution of the action to implementing the concept and targets: It is expected that the life cycle of residential construction projects will be extended by using sustainable building products and materials. Resources are preserved.

Scope of the action in relation to HOWOGE's activities: New residential construction is one of HOWOGE's own business activities. All new housing construction projects are reviewed for the possible use of sustainable building products and materials.

Scope of the action in relation to the upstream and downstream value chain: Tenders are invited for HOWOGE's residential construction projects. General construction/engineering contractors submit offers in response to these tenders. The scope of the possible use of sustainable building products and materials is specified in the binding contract with the contractor.

Geographical scope of the action: Almost all HOWOGE's new housing is constructed in Berlin.

Scope of the action in relation to affected stakeholders: HOWOGE's stakeholders are not affected by the review.

Time horizon for the intended completion of the action (short-, medium- and long-term): The review is conducted on an ongoing basis for all HOWOGE's new housing construction projects.

Action 2: Hybrid timber for new construction projects

Expected results of the action: Using wood as a construction material improves the building's environmental balance because wood is a carbon sink.

Contribution of the action to implementing the concept and targets: HOWOGE has set itself the target of reducing its CO_2 emissions. Hybrid timber construction contributes to achieving this.

Scope of the action in relation to HOWOGE's activities: Hybrid timber is used in HOWOGE's own new construction projects.

Scope of the action in relation to the upstream and downstream value chain: Hybrid timber is used in HOWOGE's own new construction projects. HOWOGE works with suppliers (upstream value chain) in procurement. Tenants use the residential units in buildings constructed from hybrid timber (downstream value chain).

Geographical scope of the action: Hybrid timber construction is implemented in Berlin.

Scope of the action in relation to affected stakeholders: Tenants use the residential units constructed from hybrid timber.

Time horizon for the intended completion of the action (short-, medium- and long-term): Short-term (fiscal year): One action was completed in 2024. One action was under construction. Ten actions are planned. The action is to be continued in the medium and long term. The same time horizons will be applied as in the materiality assessment – see *ESRS 2 SBM-3-48*.

Action 3: Environmental balance in school construction in accordance with the Assessment System for Sustainable Building (BNB)

Expected results of the action: An environmental balance will be produced for school buildings that can be used to obtain certification to the BNB silver quality standard.

Contribution of the action to implementing the concept and targets: HOWOGE is seeking to achieve a sustainable alignment of school construction by producing an environmental balance as part of certification to the BNB silver quality standard.

Scope of the action in relation to HOWOGE's activities: School construction is a separate segment of HOWOGE's activities. The environmental balance is one element of the criteria group "Environmental quality – impacts on the global and local environment" used in obtaining certification to the BNB silver quality standard.

Scope of the action in relation to the upstream and downstream value chain: HOWOGE works with suppliers (upstream value chain) in procurement. The district uses the schools after completion by making them available to teachers and students (downstream value chain).

Geographical scope of the action: The certification to the BNB silver quality standard related to schools (and their environmental balances) in Berlin.

Scope of the action in relation to affected stakeholders: The school community (students and teachers) uses the school.

Time horizon for the intended completion of the action (short-, medium- and long-term): The first school was completed in 2024. An environmental balance was prepared during the projects and is available for BNB certification. Other schools will be completed in the years ahead. It is intended to prepare environmental balances for these schools as well and work has already started on some of them.

E5-3: Targets related to resource use and circular economy

[E5-3-23] HOWOGE has set itself the qualitative target of increasing the proportion of long-lasting, renewable raw materials and recycled materials in its new construction and refurbishment projects.

[ESRS-2-MDR-T-81b] Three processes are used to monitor the effectiveness of the policies applied by HOWOGE in relation to the material sustainability-related impacts, risks and opportunities. The effectiveness of the actions is not monitored.

Processes:

- In the design and construction works of all its own new construction projects that are planned after 2024, HOWOGE will consider the use of renewable raw materials, components with a high recycled content and recycled building products or plan to reuse the building products utilized. The objective is to implement this approach in all of HOWOGE’s new construction projects that enter the planning phase. The indicator of progress is the number of HOWOGE’s new construction projects that enter the planning phase. The reference period for measuring progress began on January 1, 2024.
- HOWOGE is seeking to increase the share of at least three recyclable construction materials used in refurbishment projects.
- It regularly monitors the sustainability target.

HOWOGE has set itself the qualitative target of working consistently to reduce the consumption of resources and waste and to implement circular economy processes.

[ESRS-2-MDR-T-81b] Three processes are used to monitor the effectiveness of the policies applied by HOWOGE in relation to the material sustainability-related impacts, risks and opportunities. The effectiveness of the actions is not monitored.

Processes:

- HOWOGE will conduct at least three community initiatives each year to raise tenants' awareness of how they can contribute to saving resources.
- HOWOGE is seeking to implement planning measures in all of its own new construction projects which have a positive influence on tenants' ventilation habits.
- The findings of two pilot projects conducted in 2024 to identify the potential for reducing construction waste volumes will be validated in 2025 in order to develop KPIs and subsequent actions.
- It regularly monitors the sustainability target.

HOWOGE's target of achieving a CO_2 balance of ≤ 25 kg CO_2eq/sqm NRF*a in all of its own new construction projects (planning status: until award of the construction permit) in the next five years is contributing to achieving the following objective: HOWOGE will give greater consideration to sustainability criteria when planning and implementing new construction and refurbishment projects. For further information, see *E1-4-32*.

[E5-3-24] The aforementioned targets relate to resource outflows and the expansion of circular product design in which HOWOGE will focus on long-lasting and durable materials. One process concerns increasing the recyclability of products and materials. Other aspects in connection with resource use are the use of recycled building products and the reduction of construction waste.

[E5-3-26] No environmental thresholds or company-specific breakdowns were applied in defining the targets.

[E5-3-27] The targets presented are voluntary.

E5-5: Resource outflows

[E5-5-35] HOWOGE records its own new residential construction projects in a digital database. This shows the main materials in the buildings under construction and serves as the basis for predictive maintenance. The current new housing construction projects use plaster, brick, wood, plastic (windows) and aluminum as the main materials for the facades and concrete and wood as the main materials for the supporting structure. There is no systematic recording or disclosure of the durability, reusability, reparability, disassembly, remanufacturing, refurbishment, recycling, recirculation by the biological cycle or optimization of material use by way of another circular business model.

HOWOGE applies the following approaches in designing new buildings and refurbishment in accordance with circular principles:

- Since 2022, all construction projects are reviewed in respect of the potential use of sustainable building products and materials that are designed in accordance with circular principles and contribute to predictive maintenance in the broader sense.
- Since 2019, eight new construction projects were completed using hybrid timber. They included two pilot projects for the vertical extension of standard prefabricated WBS 70 buildings.

The company applies the following principles when selecting materials:

- For the refurbishment of residential and commercial real estate, materials are chosen which will not require any further maintenance work for the next 15 to 20 years.
- Environmental alternatives to conventional materials are used, for example, mineral insulating materials and energy-saving lighting. Preference is given to more environmentally friendly materials with lower emissions and a minimal pollutant content. If possible, products are avoided if they have a large carbon footprint or a high content of solvents, plasticizers or complex composite materials.
- The use of materials containing PVC is avoided in technical equipment.
- The reusability of materials and objects is considered. For example, in a new housing construction project completed in 2022, the old cobblestones, play equipment and benches were refurbished and reused.
- New circular economy approaches are developed.

In the case of school construction projects, the General Administrative Regulation for Procurement and the Environment (VwVBU) of the State of Berlin was applied in both new construction and refurbishment. When procuring materials, environmental criteria are considered, including the life cycle costs caused by a product from acquisition to disposal. In addition, all new school buildings are planned and constructed to the BNB silver quality standard. See also *E5-2-19*. A material aspect here is a holistic environmental balance for the building materials used and the energy supply. This considers all necessary energy and material flows, together with their global and local environmental impacts – from production, transportation and installation to dismantling and building use.

[E5-5-36] The information required here is not material because HOWOGE is a non-manufacturing company that does not market any products. This disclosure is therefore not significant to the aspect of "Resource outflows: Products and materials." For this reason, HOWOGE reports entity-specific disclosures, which derive from the sustainability reporting guidelines for the housing industry issued by the National Association of Housing Companies (GdW). These are modernization intensity (BM2), the proportion of residential units whose energy performance have been fully or partially modernized since 1990 (BM3) and maintenance intensity (BM4).

In 2024, the modernization intensity (BM2) was EUR 9.01/sqm.

The proportion of residential units whose energy performance have been fully or partially modernized since 1990 (BM3) was 88.37%.

In 2024, the maintenance intensity (BM4) was EUR 14.89/sqm.

Minimum disclosure requirement ESRS 2 MDR – M-77a for BM2: modernization intensity; BM 3: proportion of residential units whose energy performance have been fully or partially modernized since 1990; and BM 4: maintenance intensity

HOWOGE uses a direct calculation to determine these figures. No significant assumptions or limits are associated with the method. In the calculation of BM3, it is assumed that the new building is refurbished. The rental area is used to calculate BM2 and BM4.

3.3 Social information

3.3.1 S1 Own workforce

Policies

In connection with this topic-specific standard, various policies are listed which are explained on the basis of the respective minimum disclosure requirements.

Corporate strategy

The presentation of the corporate strategy complies with the minimum disclosure requirements contained in topical standard E1. See *corporate strategy*.

Material IROs relating to the sustainability strategy: General working conditions (impact).

Sustainability strategy

The presentation of the sustainability strategy complies with the minimum disclosure requirements contained in topical standard E1. *See sustainability strategy*.

Material IROs relating to the sustainability strategy: General working conditions (impact), channels for equal treatment (impact).

Declaration on respect for human rights

Contents

Main contents of the strategy: HOWOGE's declaration on respect for human rights describes the company's understanding of and approach to respect for human rights. The approach to respect for human rights covers employees, suppliers, tenants and affected communities. In its declaration on respect for human rights, HOWOGE commits to strict compliance with all the legal provisions that apply to the company. Since January 1, 2024, HOWOGE has been subject to the human rights and environment-related obligations arising from the German Act on Corporate Due Diligence in Supply Chains. Associated with this is the requirement to implement processes and mechanisms to monitor compliance with the:

- UN Guiding Principles on Business and Human Rights
- ILO Declaration on Fundamental Principles and Rights at Work and OECD Guidelines for Multinational Enterprises

In its declaration on respect for human rights, HOWOGE also describes its commitment over and above its legal obligations. The declaration on respect for human rights includes an explanation of the established structures and processes such as the formation of a cross-functional working group and the installation of the human rights and environment-related complaints/grievance process.

General objectives: HOWOGE is actively committed to ensuring respect for human rights, fighting discrimination and implementing fair working conditions. The goal is minimize the risk to affected parties of human rights abuses.

Material impacts, risks and opportunities relating to the strategy: Channels for equal treatment.

Monitoring process: The declaration on respect for human rights is regularly reviewed by the intra-company working group on respect for human rights and updated as required.

Area of application

Area of application in respect of activities: The declaration on respect for human rights applies to the HOWOGE Group. It applies to HOWOGE's own business activities (project planning and support, letting and management of residential units, construction of new residential buildings and schools, supply of heating, hot water and electricity).

Areas of application in relation to the value chain: The declaration on respect for human rights also relates to HOWOGE's value chain (upstream value chain, e.g., construction services), the company's own business activities (HOWOGE core business) and the downstream value chain (e.g., direct business partners such as tenants).

Area of application in respect of the geographical area: HOWOGE's real estate portfolio is located in Berlin and to a small extent in neighboring Brandenburg. There is a strong concentration in Berlin's Lichtenberg district, currently accounting for around 75% of residential units.

Area of application in respect of affected stakeholder groups: HOWOGE has defined stakeholder groups. They include the following groups: State of Berlin (Senate administrations); parliaments (the German Parliament, Berlin House of Representatives and their parliamentarians); district and local politicians; local authorities (for example, Berlin's Housing Coordination Office, the city's district councils); industry associations (such as BBU and GdW); urban society (such as citizens' initiatives and local clubs); tenants' council and tenants' advisory boards; institutions and public facilities (for example, community centers, schools, libraries). In its declaration on respect for human rights, HOWOGE refers to the values and principles of the corporate culture that define standards of service and conduct vis-à-vis tenants.

Responsibilities

The management board is responsible for compliance with human rights principles. An intracompany working group was established to monitor the core elements of human rights due diligence. It has the task of reviewing and refining the declaration on respect for human rights and the associated processes. Moreover, a human rights officer was appointed in January 2024.

References to other standards/initiatives

As a company that is mainly active in Berlin, HOWOGE is subject in principle to the regulatory frameworks of the European Union, the Federal Republic of Germany and the State of Berlin in respect of labor and social law (collective bargaining agreement) and of procurement (Berlin's tender and procurement law). The contract award process is conducted in accordance with the regulations for public-sector clients (GWB, VgV, UVgO, VOB/A), complemented by (Berlin's tender and procurement law). In its definition of human rights, HOWOGE refers to the core labor standards of the International Labour Organization (ILO). The German Act on Corporate Due Diligence in Supply Chains (LkSG) is being implemented.

Consideration of interests

The Berlin Senate is committed to sustainable development and the Sustainable Development Goals, which include respect for human rights. We therefore see an overlap in the interests of HOWOGE and the State of Berlin as its shareholder.

Stakeholders

The declaration on respect for human rights is published on the company's website. In addition, HOWOGE reports publicly on its own activities and actions relating to respect for human rights.

Strategy

[S1-1-17, 18, 19] As a municipal housing company, HOWOGE has a particular responsibility vis-à-vis its employees. The company not only aims to create a respectful working environment, but also to foster its employees' professional development and well-being. HOWOGE has developed policies and actions to manage the material impacts, risks and opportunities in respect of its employees. The focus is on "Working conditions" and "Channels for equal treatment." For example, HOWOGE provides its employees with fair working conditions, employment contracts that are mainly permanent and aligned with the collective agreement, transparent payment and a family-friendly human resources policy. "Channels for equal treatment" are strengthened by measures such as the appointment of a compliance and values officer, inclusion officer and external ombudsperson. In this way, HOWOGE has established channels that foster equal treatment and seek to counter unequal treatment within the company.

S1-SBM-3: Material impacts, risks and opportunities and their interaction with strategy and business model

[S1-SBM-3-13a] The positive impacts defined as material are "Working conditions" and "Channels for equal treatment," which are closely connected with HOWOGE's corporate strategy. Employee satisfaction is a key topic at HOWOGE and was defined in the corporate strategy with a dedicated target in the property management strategy. The positive impacts do not directly influence HOWOGE's business model and strategy and do not contribute directly to its adjustment. However, they are a basic aspect of employee satisfaction, which is defined as a strategic target in the corporate strategy.

In its declaration, HOWOGE commits to implementing fair working conditions, the equal treatment of all employees and occupational safety. The company's employees make use of their freedom of assembly and the appointment of representatives. One third of the members of the supervisory board of HOWOGE are elected workers' representatives. In addition, HOWOGE offers its employees a family-friendly working environment, occupational health care and mobile working arrangements.

No material risks and/or opportunities were identified by the materiality assessment.

[S1-SBM-3-14a, c] HOWOGE's workforce comprises the company's own employees, non-employees, apprentices and employees with inactive working relationships.

Employees are the number of employees in accordance with section 285 (7) of the HGB and Beck's interpretations. The term is aligned with labor law (social security law). The employees who work for the company include those on maternity leave, employees who work from home, dependent agents and short-term temporary staff. All part-time employees must be included. Specifically not included are legal representatives (management board members, managing directors), apprentices, interns and employees with dormant contracts (employees taking early retirement, employees on parental leave).

Non-employees of HOWOGE Wohnungsbaugesellschaft mbH are divided into three groups:

- Freelancers (self-employed individuals with specific project-related contracts)
- Interim managers (self-employed individuals with specific contracts, transitional filling of a position)
- Temporary workers/temporary workers with specific contracts (personnel leasing for the transitional filling of a position or a temporary additional position)

Generally speaking, the aforementioned types of employees and non-employees are affected equally by the positive material impacts of "Good working conditions" and "Channels for equal treatment."

HOWOGE creates good working conditions by:

- Applying the relevant collective bargaining agreements for those company with a collective bargaining agreement. In companies without a collective bargaining agreement, market-based salary ranges and the review mechanisms described below are applied.
- Regularly reviewing salaries in a market comparison to ensure that pay is in line with the market.
- Granting bonuses for outstanding performance based on a transparent system and an extended financial framework.
- Maintaining a hardship fund that can be used if an employee experiences a difficult situation in their life and needs financial assistance.
- Deploying a working time recording system to comply with statutory and company provisions.
- Fostering personal development and creative opportunities. Employees are supported with specialist and non-specialist training.
- Providing an annual budget for teambuilding activities and a budget per employee for use in the context of the health platform.
- Providing ergonomic equipment and materials.

"Channels for equal treatment" are ensured through the involvement of bodies and functions established in accordance with external requirements, such as the works council, inclusion officer, human rights officer and committees for women, the severely disabled and young people and trainees. These bodies and functions are presented in the onboarding app and the intranet; they can be accessed by all employees and apprentices. HOWOGE has also appointed an ombudsperson who may be contacted by all its employees. All employees and apprentices undergo annual training on Germany's General Act on Equal Treatment (AGG). Managers receive additional training on the topic of equal treatment.

The HOWOGE mission statement and code of conduct provide orientation and serve as the framework for responsible conduct by the company's employees and managers. They are complemented by the group compliance policy, which governs day-to-day working. The management board, the division and function heads, the management directors of the subsidiaries, the chairs of the works councils and an external consultant make up the compliance steering committee. Compliance is a fixed component of the target agreements with managerial employees, who are expected to represent the company's values and serve as role models to their employees in this respect.

Management of impacts, risks and opportunities

S1-1: Policies related to HOWOGE's workers

[S1-1-20a-c] The declaration on respect for human rights is the foundation of HOWOGE's business conduct. HOWOGE goes beyond statutory requirements in its commitment to applying and implementing the principles of respect for human rights. It does not tolerate any form of human rights abuse. In its definition of human rights, HOWOGE refers to the core labor standards of the International Labour Organization (ILO).

An intracompany working group made up of employees from the governance, risk and compliance, sustainability, investor relations, legal and central procurement functions developed HOWOGE's policy on ensuring respect for human rights in the supply chain. As of January 1, 2024, HOWOGE also appointed a human rights officer.

A grievance mechanism was established at the end of 2022. The existing whistleblower system expressly invites the submission of grievances relating to potential human rights abuses. Human rights and environment-related risks and incidents can be reported via the unbiased grievance process. Anyone can submit reports in person, by telephone, by email or by post to HOWOGE or to its compliance officers. HOWOGE's internal reporting channel is the compliance officer; the external reporting channel is the independent ombudsperson, who is an attorney. Both reporting channels serve as the entry point for complaints/grievances, thus ensuring that any reports of human rights and environment-related risks and violations of human rights and environment-related obligations can be submitted. Irrespective of the reporting channel used, all complaints/grievances and reports are treated in confidence. All necessary information is freely accessible on the company's website.

HOWOGE has implemented actions to create and/or facilitate remedies in the event of impacts on human rights. One action is the dialog with stakeholders. This helps to strengthen companies' commitment to respecting human rights and protecting the environment. HOWOGE is in dialog with its core stakeholder groups, which include in particular:

- State of Berlin (Senate administrations)
- Parliaments (the German Parliament, Berlin House of Representatives and their parliamentarians)
- District and local politicians

- Local authorities (for example, Berlin’s Housing Coordination Office, the city’s district councils)
- Industry associations (for example, BBU, GdW)
- Investors
- Urban society (for example, citizens’ initiatives, local clubs)
- Tenants’ council and tenants’ advisory boards
- Institutions and public facilities (for example, community centers, schools, libraries)

Sustainability reporting is also an element of the dialog with stakeholders and partners. The sustainability statement and company website are updated annually. HOWOGE is committed to ensuring fair working conditions, equal treatment and occupational safety for all its employees. Those areas of HOWOGE with interfaces to topics of relevance to human rights are involved in the operational activities in connection with the LkSG. The company’s employees make use of their freedom of assembly and the appointment of representatives. One third of the members of the supervisory board of HOWOGE are elected workers’ representatives. Other contacts include:

- Inclusion officer
- Women’s officer
- Works council
- Committee for the severely disabled, in collaboration with human resources
- Committee for young people and trainees
- Human rights officer in accordance with the LkSG

The compliance complaints process uses the following channels:

- Compliance officer (HOWOGE employee)
- Ombudsperson (external attorney)

In the case of subsidiaries with more than 250 employees, the main reporting channel is via the ombudsperson. If necessary, queries can be forwarded to an internal contact at HOWOGE for clarification.

[S1-1-21] Since January 1, 2024, HOWOGE has been subject to the provisions of the German Act on Corporate Due Diligence in Supply Chains (LkSG). By implementing the UN Guiding Principles on Business and Human Rights in its business activities, HOWOGE has committed to respecting and protecting human rights. In this way, HOWOGE ensures that its business practices have no negative impacts on human rights. This is evident from, in particular:

- Fair and comparable pay for all employees
- A non-discriminatory way of working and professional collaboration
- Occupational safety
- Health management and flexible ways of working to ensure a good work-life balance
- Employee satisfaction and social responsibility,

- Environmental protection and economic and environmental sustainability,
- Combating corruption as well as
- Employees' ability to exert influence and freedom of expression.

[S1-1-24] HOWOGE is committed to equal opportunities, diversity and inclusion. The company has prepared a declaration on respect for human rights which explicitly states that HOWOGE operates without discrimination (including harassment), also in respect of its own workforce. The declaration addresses various aspects of discrimination such as ethnic origin, education and religion. In 2025, it is planned to extend these aspects to include race, skin color, gender, sexual orientation, gender identity, disability, age and political opinion. HOWOGE became a signatory to Germany's diversity charter (Charta der Vielfalt) in 2009. The company has thereby committed to creating a working environment that prevents prejudice and discrimination. To ensure equal treatment within HOWOGE's own workforce, the following representative bodies were elected:

- Works council
- Committee for women (requirement of the Berlin Gender Equality Act) and committee for the severely disabled (section 181 of the ninth book of the German Social Code – SGB)

An inclusion officer (section 178 of the ninth book of the SGB) and a human rights officer (LkSG) were also appointed. The grievance process described under *S1-1-20a-c* provides a further option for employees to communicate their concerns to HOWOGE in confidence. Employees may also address their grievance in person to the compliance officer or anonymously to the ombudsperson. The range of options for reporting grievances is aimed at ensuring that discrimination can be identified and remedied at an early stage. The workers' representations listed under *S1-1-20a-c* are another way of fostering diversity and inclusion within the company.

S1-2: Processes for engaging with HOWOGE's own workers and workers' representatives about impacts

[S1-2-27] At any time during their employment relationship and irrespective of any phases of inclusion, HOWOGE's employees can contact their own supervisors, human resources and workers' representatives on all human resources topics, including the positive impacts of "Working conditions" and "Equal treatment."

Moreover, an employee survey covering these topics is conducted every two years – and thus also in 2024 – and discussed with the workers' representatives. Employees' overall satisfaction is rated at 70 out of 100 points. The responsible managers are required to work with their teams to assess the findings by the end of the first quarter of 2025 and identify specific action areas. By processing the action areas, the company intends to continue ensuring a high level of employee satisfaction.

In addition, depending on the professional group, a formal employee dialog between employee and line manager takes place every one to two years. This addresses an employee's general satisfaction with working conditions, collaboration and leadership.

S1-3: Processes to remediate negative impacts and channels for HOWOGE's own workers to raise concerns

[S1-3-32b-e] No negative impacts for HOWOGE's employees were identified by the materiality assessment Thus, no process is currently required to reverse or mitigate negative impacts. This notwithstanding, various communication channels are available to HOWOGE's employees to report their concerns and needs to the company. Employees may also discuss their concerns and needs with human resources. In addition, employees may contact the various representation bodies listed below. Contact may be made directly (by telephone or email or in person) or via central mailboxes.

The following representation bodies are available to HOWOGE's employees to report their concerns and needs to the company:

- Inclusion officer
- Women's officer
- Works council
- Committee for the severely disabled, in collaboration with human resources
- Committee for young people and trainees
- Human rights officer in accordance with the LkSG
- Compliance officer
- Ombudsperson

With the exception of the ombudsperson, these channels have been established and are managed by HOWOGE itself. Some channels are subject to statutory requirements that are complied with, e.g., the election of a works council by HOWOGE's employees. New employees are informed about the channels in compliance training as part of their onboarding on their first day at HOWOGE. The various contacts are shown on the intranet. In addition, HOWOGE ensures that all employees are able to contact the aforementioned channels via the end devices provided to them.

The effectiveness of the channels is ensured by maintaining low contact thresholds. The channels can be accessed by email, telephone or in person. There are no other technical challenges. Employees also have the choice of requesting a direct meeting with human resources, their line manager or a workers' representative or of contacting the ombudsperson anonymously.

HOWOGE has no defined process for handling grievances in connection with employee concerns. Problems reported to human resources are monitored on a case-by-case basis, usually involving the following steps:

- An employee contacts human resources (or a committee or one of the other aforementioned channels) on a personal matter.
- In a meeting with the employee, the matter is discussed to gain their perspective (the employee may request support from the works council and/or the committee for women).
- The next steps depend on the individual case. It is usual to contact the relevant line manager for their view, depending on the sensitivity of the matter.
- If necessary, other persons involved or the affected employee may be questioned in confidence on their view; relevant functions such as compliance or internal committees may also be consulted. Depending on the case, the management board or an external consultant may also be involved.
- The resolution process is initiated. This may be an instruction on behaving in compliance with human rights or actions in accordance with labor law.
- The effectiveness of the process is reviewed by requesting feedback from the affected employee by email or phone or in an individual meeting as to whether there has been any improvement in the situation. The relevant line manager or workers' representative may also be contacted again.

[S1-3-33] HOWOGE is committed to employee consultation and participation. This includes ensuring access to channels for reporting concerns and needs. The generally known and established communication channels are available to HOWOGE's own workforce for the purpose of dialog. Information about the availability of these channels is provided during onboarding, in employee dialog meetings and via the intranet. Direct and individual eye-level discussions take place between employees and their respective line managers on a continuous basis. Repeated reminders of the existence of the channels and their visibility ensure that employees are aware of them. Trust is established by providing employees with various options for communicating their needs and concerns. They may contact human resources, their line manager and various employee representative bodies in confidence. If an employee wishes to report a grievance anonymously, they may do so via the external ombudsperson. Over and above the aforementioned actions, there is no structured process for reviewing whether employees are aware of and trust the channel. Germany's Whistleblower Protection Act (HinSchG) provides protection against reprisals see *G1-1-10c*.

S1-4: Taking action on material impacts on HOWOGE's own workforce, and approaches to managing material risks and pursuing material opportunities related to HOWOGE's own workforce, and effectiveness of those actions

[S1-4-38c-d] HOWOGE's activities that result in positive impacts in connection with working conditions and equal treatment are disclosed in *S1-SBM-3-14*. In addition, HOWOGE implemented two actions in 2024 to further foster the positive impacts. The employee survey is an instrument for measuring the effectiveness of actions. Various surveys provide employees with the opportunity to inform HOWOGE of their level of satisfaction with their current working conditions. The responses are analyzed and made available to HOWOGE's management board, committees and managers. In collaboration with the employees, the findings are used to identify action areas for improving working conditions, thereby resulting in greater employee satisfaction. No further actions have yet been specified for 2025 because they depend on the findings of the last employee survey. The employee survey conducted in 2024 will serve as the basis for developing future actions to improve employees' working conditions. The effectiveness of the inflation compensation bonus is ensured when the amount is paid out. No further monitoring or assessment of the action takes place.

Action 1: Employee survey

Expected results of the action: The expected result of the employee survey is to gain a better understanding of employee satisfaction and work with the employees to define potential actions aimed at improving working conditions and equal treatment, among other things.

Contribution of the action to implementing the concept and targets: The employee survey contributes to the company's target of improving general employee satisfaction.

Scope of the action in relation to HOWOGE's activities: The scope of the action covers HOWOGE's own business activity.

Scope of the action in relation to the upstream and downstream value chain: It is an internal HOWOGE employee survey. For this reason, the action does not extend to the upstream and downstream value chain.

Geographical scope of the action: All of HOWOGE's employees are located in Berlin and Brandenburg.

Scope of the action in relation to affected stakeholders: The survey was sent to all HOWOGE employees who had been working for HOWOGE for at least three months at the time of the survey. Exempted from the survey were the employees of ATOZ, which was acquired in August, and HOWOGE Reinigung.

Time horizon for the intended completion of the action (short-, medium- and long-term): The employee survey is conducted every two years. The 2024 survey was opened to HOWOGE's employees in October.

A first evaluation was presented to the management board and the committees at the end of November. Managers received the evaluation of the employee survey in December 2024.

Action 2: Inflation compensation bonus

Expected results of the action: The expected result of the inflation compensation bonus is the improved satisfaction and equal treatment of employees.

Contribution of the action to implementing the concept and targets: The inflation compensation bonus contributes to the company's target of improving general employee satisfaction.

Scope of the action in relation to HOWOGE's activities: The scope of the action covers HOWOGE's own business activity.

Scope of the action in relation to the upstream and downstream value chain: The action relates to the company's own workforce and does not extend to the upstream and downstream value chain.

Geographical scope of the action: All of HOWOGE's own workers are located in Germany.

Scope of the action in relation to affected stakeholders: The inflation compensation bonus is paid to all of the company's own workers. No distinction was made between full-time and part-time employees; all entitled employees received the same amount.

Time horizon for the intended completion of the action (short-, medium- and long-term): The action was completed on June 30, 2024.

[S1-4-43] HOWOGE makes various financial resources available to foster the positive working conditions and equal treatment of its employees. As well as providing fair pay on the basis of collective bargaining agreements and market-based salaries, HOWOGE aims to make additional financial rewards. That is why, in recognition of the additional work performed in the areas of inclusion, fire safety and occupational safety, HOWOGE paid a bonus for the official functions in the affected business areas. HOWOGE maintains a hardship fund that can be used if one of its own workers experiences a difficult situation in their life and needs financial assistance. The company provides a budget for conducting a comprehensive employee survey with external support, as well as human resources from its own workforce for conducting employee dialog meetings. An annual team budget is provided for joint excursions and an additional EUR 200 is made available per employee for healthcare via a health platform. In addition, HOWOGE invests in ergonomic equipment and materials for its employees. In accordance with the law, some employees are released from their normal duties to serve on the works council and committee for women. These human resources benefit HOWOGE's employees.

Metrics and targets

S1-5: Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

[S1-5-46] HOWOGE has set itself the qualitative target of being perceived as an attractive and innovative employer. This target also fosters the positive impact of "General working conditions".

[ESRS-2-MDR-T-81b] In this connection, HOWOGE is seeking an employee satisfaction rate of > 65%. The employee satisfaction index is the indicator used to assess progress. The reference period is January 1 to December 31, 2025. Regular monitoring of the target and the indicator is used to assess the effectiveness of the policies applied by HOWOGE in relation to the material sustainability-related impacts, risks and opportunities. The effectiveness of the actions is not monitored.

[S1-5-47a-c] The company's sustainability targets are developed each year in September in a collaboration between the responsible departments and the sustainability function. The targets developed were presented to, amended as necessary and then approved by the management board in October. In formulating the targets, the responsible departments consult the company's own workforce. The workers' representatives are not consulted. Monitoring of the company's performance in respect of the targets for its own workforce takes the form of the publication of the sustainability report, internal communication such as reports on the intranet and direct dialog with the sustainability team. In this context, information about the degree of target attainment is provided. Irrespective of the target attainment, the ambitions for the sustainability targets are discussed with the management board. The process for setting and monitoring targets is reviewed and assessed by the sustainability team and the auditor. Any points of criticism are considered in the course of the next target-setting process.

S1-6: Characteristics of the undertaking's employees

[S1-6-50a] The following table contains information about the number of employees by gender as of December 31, 2024. All HOWOGE's employees live and work in Germany.

Gender	Number of employees (headcount)
Male	767
Female	585
Other	0
No disclosure	0
Total number of employees	**1.352**

[S1-6-50b] The following table contains information about HOWOGE's employees by type of employment contract and gender as of December 31, 2024.

Headcount (December 31, 2024)	Female	Male	Other	No disclosure	Total
Employees	585	767	0	0	1352
Employees with permanent employment contracts	544	711	0	0	1255
Employees with fixed-term employment contracts	41	56	0	0	97
Non-guaranteed hours employees	0	0	0	0	0

[S1-6-50c] The following table shows the total number of employees who left HOWOGE during the reporting period, including the fluctuation rate.

2024	Headcount
Employees who have left HOWOGE during the reporting period	218

2024	Percent
Turnover	16,4

[S1-6-50d] The number of employees is reported as the headcount as at December 31, 2024. Turnover is calculated as defined by the Confederation of German Employers' Association (BDA) on the basis of the total number of employees who left the company in the reporting year (headcount) divided by the average number of employees in the reporting year. The basis for calculating the average is the number of employees (headcount) at the end of each quarter.

[S1-6-50e] Turnover in 2024 was mainly affected by the high turnover at HOWOGE Reinigung GmbH, which is higher than elsewhere in the company.

[S1-6-50f] The most representative number shown in the financial statements is the number of employees shown in the headcount table in the group management report in *chapter 2.2.2 "Employees"*.

[ESRS 2 MDR-M-77a to S1-6-50a-c] HOWOGE uses a direct calculation to determine this number. No significant assumptions or limits are associated with the method.

S1-10: Adequate wages

[S1-10-69] Employees at HOWOGE are paid at least the statutory minimum wage. The minimum wage defined by Berlin's state legislation for all its undertakings is higher than the national minimum wage.

[ESRS 2 MDR-M -77a to S1-10-69]

HOWOGE uses collective bargaining agreements as the method. It also uses benchmarks and a web portal that enables individual comparison for employees. No significant assumptions or limits are associated with the method.

S1-11: Social protection

[S1-11-74a-e] In Germany, employees enjoy social protection in the event of illness that is stipulated by the country's Continued Remuneration Act (EntgFG), with which HOWOGE also complies. Employees who are ill receive their average salary for a period of six weeks from their employer.

HOWOGE complies with statutory notice periods during and after an employee's probation period. The industry-wide collective agreement applies longer notices periods than those stipulated by the German Civil Code (BGB). Upon termination by the employer, employees receive statutory unemployment benefits.

All companies in Germany are required by law to ensure occupational accident insurance for their employees. In the case of HOWOGE, this insurance is provided by Berlin's state accident insurance fund (Unfallkasse Berlin). In the event of an accident at work, HOWOGE continues paying an employee's salary for the first six weeks. Thereafter, it is paid by the accident insurance fund. In Germany, an incapacity for work is covered by the pension insurance fund. In addition, HOWOGE's company pension fund pays a disability benefit.

HOWOGE complies with the provisions of Germany's Maternity Protection Act (MuSchG) and Law on Parental Allowance and Parental Leave (BEEG). The company also gives a mother's partner two special vacation days when their child is born.

In Germany, social protection after retirement is governed by the sixth book of the SGB. HOWOGE subsidizes the company pension by an amount that exceeds statutory requirements.

[ESRS 2 MDR-M-77a to S1-11-74a-e] HOWOGE applies laws, collective agreements and works agreements (method). No significant assumptions or limits are associated with the method. The subsidy of the company pension is granted to certain employee groups (excluding employees with fixed-term contracts or those in marginal employment) under certain conditions.

S1-16: Compensation metrics (pay gap and total compensation)

[S1-16-97a-c] In 2024, the gender pay gap at HOWOGE was 19.1% in favor of women. This results from the fact that an above-average number of men are employed in technical roles for which the customary payment differs from that for commercial and engineering roles.

The ratio of the annual total remuneration of the highest paid individual to the median annual total remuneration for all employees was 7.8 in 2024. This means that the remuneration of the highest-paid individual is 7.8 times higher than that of the median total remuneration for all employees.

[ESRS 2 MDR-M-77a to S1-16-97a-b] HOWOGE uses a direct calculation to determine this number. No significant assumptions or limits are associated with the method.

S1-17: Incidents, complaints and severe human rights impacts

[S1-17-102] In 2024, there was one case of human rights abuse, discrimination or harassment.

[S1-17-103] In 2024, there was one reported case of discrimination, including harassment.

In 2024, no complaints were reported via the channels that may be used by HOWOGE's own workers to express concerns (including grievance mechanisms).

Also in 2024, the total amount of fines, sanctions and financial damages paid in connection with the aforementioned incidents was zero.

[S1-17-104] In 2024, no serious human rights incidents were recorded in connection with HOWOGE's employees.

Also in 2024, the total amount of fines, sanctions and financial damages paid in connection with human rights incidents by employees was zero.

[ESRS 2 MDR-M-77a to S1-17-103a-c and S1-17-104a-b] HOWOGE uses a survey as the method to determine this number. No significant assumptions or limits are associated with the method.

3.3.2 S3 Affected communities

Policies

In connection with this topic-specific standard, various policies are listed which are explained on the basis of the respective minimum disclosure requirements.

Corporate strategy

The presentation of the corporate strategy complies with the minimum disclosure requirements contained in topical standard E1. See *corporate strategy*.

Material IROs relating to the strategy: Commercial mix (impact), social cooperation and donation projects (impact).

Sustainability strategy

The presentation of the sustainability strategy complies with the minimum disclosure requirements contained in topical standard E1. *See sustainability strategy*.

Material IROs relating to the strategy: Commercial mix (impact), social cooperation and donation projects (impact).

Group risk management policy

The group risk management policy complies with the minimum disclosure requirements contained in topical standard E1. See *Group risk management policy*.

Material IROs relating to the policy: Social cooperation and donation projects (impact).

Strategy

S3-SBM-3: Material impacts, risks and opportunities and their interaction with strategy and business model

[S3-SBM-3-8a, S3-1-12, 13, 14] HOWOGE's social commitment is part of the social mandate from the company's shareholder and thus a component of the corporate strategy. As a long-term property holder, HOWOGE seeks to have a stabilizing effect on neighborhoods through its social commitment and neighborhood development activities. HOWOGE's social commitment contributes to creating stable neighborhoods that deliver quality of life. As a rule, this not only benefits tenants but also other residents, the institutions supported and networks of affected communities. As part of its strategic neighborhood development approach, HOWOGE analyzes the needs for action in the neighborhoods. It also welcomes suggestions from social organizations and other stakeholders, and considers these in its policies and projects. HOWOGE's social commitment is based primarily on collaborations with local stakeholders and its own neighborhood projects. In addition, it makes donations to non-profit institutions whose work creates strategic added value for a neighborhood. "Social cooperation and donation projects" have no direct impacts on the corporate strategy but primarily represent responses to social change. The intended positive impact of the commercial mix on communities is derived from HOWOGE's corporate strategy and business model. The commercial mix aims to ensure a good supply of appropriate amenities in each neighborhood and is connected with other goals such as ensuring short distances to amenities. The aim is to ensure the quality of life in the neighborhoods, thus also influencing HOWOGE's corporate strategy. The commercial units in schools are part of the material impact of "Commercial mix" and are not derived directly from HOWOGE's strategy. However, due to targets specified by the State of Berlin, they are a part of the business model, which they thus influence. As part of the commercial mix, the commercial units in schools contribute to the quality of life in the neighborhoods. The objective is to open new school buildings for use by the neighborhood, i.e., providing rooms for non-school users such as music classes and sports clubs.

[S3-SBM-3-9a] HOWOGE's affected communities are individuals and organizations who/that are not tenants or potential tenants but live in or adjacent to neighborhoods in which HOWOGE's buildings are located. They include other residents and business owners who are not tenants or potential tenants and, in the School Construction segment, the parents of school students. Also included but classified as non-material are local or indigenous populations in the value chain that may be affected by the exploitation of wood and other resources. It is not usually necessary to report on affected communities classified as non-material. The affected communities are impacted by HOWOGE's activities because of their proximity to HOWOGE buildings. At the same time, these affected communities benefit from the positive impacts of "Commercial mix" and "Social cooperation and donation projects." The affected communities benefit from HOWOGE's activities in the downstream value chain especially. All the aforementioned affected communities that could probably be affected by the material impacts of HOWOGE via its products, services or business relationships come under the disclosures in accordance with *ESRS 2 IRO-2-56*.

No material risks and/or opportunities were identified by the materiality assessment.

[S3-SBM-3-9c] The positive impact of "Social cooperation and donation projects" is primarily facilitated by the provision of financial and human resources. In addition, the need for action in the neighborhoods is analyzed, the corresponding networks and committees consulted and partners in the neighborhoods identified. HOWOGE is a strong partner in social neighborhood development, participating actively in meetings of a district's neighborhood management team, neighborhood councils, stakeholder groups and roundtable discussions in which representatives of the affected communities also participate.

The positive impact of "Commercial mix" is achieved by HOWOGE performing regular market analyses in a neighborhood in respect of potential use risks and the pricing of new lets and renegotiated rents. In addition, existing building stock is examined for possible new uses as commercial units when it becomes available for letting again. The objective is to take a use-focused letting approach that targets specific sectors and individual companies in order to attract a balanced mix of businesses to the neighborhoods. Dialog with other property holders in a neighborhood creates additional synergies for developing neighborhoods that deliver quality of life. In order to implement the positive impact of "Commercial mix" in the school construction segment, the actual planning process is preceded by an analysis of requirements in consultation with the district authority. Moreover, HOWOGE conducts an individual architectural competition for each school construction project. The objective is to develop a customized solution for the neighborhood and the site. Bodies such as parents' associations and other interest groups may also be consulted in decision-making. In selected school construction projects, HOWOGE also holds dialog sessions with prospective contractors so that the affected communities (parents' associations and other interest groups) can be involved appropriately in the selection process. As the schools are still under construction, it was not possible to assess the effectiveness for this year's annual report. Two schools were completed in the spring of 2024 but were not opened until the start of the 2024/2025 school year. Thus, the effectiveness of individual, needs-based design is only measurable in subsequent years.

Management of impacts, risks and opportunities

S3-1: Policies related to affected communities

[S3-1-16a-c] HOWOGE's approach to respecting human rights is presented under *S1-1-20a-c*. This is where HOWOGE discloses its human rights policy commitments, which likewise apply to affected communities. Indigenous peoples are also included in HOWOGE's approach to respecting human rights. However, due to HOWOGE's focus on the Berlin and Brandenburg region, they do not represent affected communities for HOWOGE.

HOWOGE's approach to remedial action was presented in *S1-1-20a-c* and also applies to affected communities. HOWOGE additionally consults affected communities by way of the following formats. The customer centers serve as direct points of contact for affected communities. For each new housing construction project, HOWOGE ensures participation on at least one level of the information chain. HOWOGE follows the guidelines for participation in new housing construction developed in 2017 by Berlin's housing companies in collaboration with representatives from government, local authorities, business and society.

[S3-1-12, 13, 14, 17] In 2020, as part of its sustainability strategy, HOWOGE defined sustainable sourcing as a material topic in the new construction and portfolio action area and developed the corresponding actions. In 2022, an intracompany working group was established to implement and refine the core elements of companies' human rights due diligence as specified by the LkSG. In this way, HOWOGE is satisfying its obligations to implement processes and mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work and OECD Guidelines for Multinational Enterprises. These obligations apply in respect of both HOWOGE's affected communities and indigenous peoples. HOWOGE has published a declaration on respect for human rights in which it makes a commitment vis-à-vis its employees and society to respect human rights – see *S1-1-20a-c*.

HOWOGE's corporate strategy addresses matters such as social neighborhood development and the creation of neighborhoods that deliver quality of life. HOWOGE's social management department works with the local teams and other departments to ensure the social stabilization and development of neighborhoods and good cohesion between all residents. HOWOGE provides funding to clubs, facilities and projects in the neighborhoods. Depending on individual requirements, these may focus on education, culture, environmental and social matters and sports. In addition, the company participates in research partnerships aimed at finding innovative solutions for current and future challenges. Through its commitment, HOWOGE contributes to the social security and stability of neighborhoods, thereby enhancing the quality of life there.

No violations of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises that impact affected communities were reported in connection with HOWOGE's business activities or the activities of the upstream and downstream value chain.

S3-2: Processes for engaging with affected communities about impacts

[S3-2-21a-d] There is no formal process for engaging with affected communities in respect of HOWOGE's letting of residential and commercial units from its portfolio. Therefore, there are no specific phases in which the company engages with affected communities or their legitimate representatives. However, they benefit from the positive impacts of "Social cooperation and donation projects" and "Commercial mix" achieved by HOWOGE in their neighborhoods. For example, residents may be able to use the sports facilities and libraries created by the construction of a school. Public events and individual meetings enable affected communities to participate and make suggestions through their discussions with HOWOGE's representatives. There is no assessment of the effectiveness of this kind of engagement. In connection with the positive impact of "Commercial mix," the school construction unit deploys various formats to consult and engage with affected communities. This may take place directly via legitimate representatives and/or credible proxies such as parents' associations or district parents' committees, as well as via representatives of the relevant district authority or, in the case of sports, of the district sports office.

In developing its projects, the school construction unit may choose from the following engagement formats in line with the guidelines for participation in school construction issued by the State of Berlin:

- Information about a school construction project may by provided in the form of news releases and on HOWOGE's website and may be consulted at any time.
- In the past six years, there were three public exhibitions providing information about HOWOGE's school construction activities in general and open days at the two schools which have already been completed.
- At the start of a project, legitimate representatives are consulted in workshops and are able to voice their needs in respect of the further planning.
- The representatives are consulted as necessary during the planning phase.
- Architectural competitions are conducted for all new school construction projects. The voting members of the competition juries include representatives of bodies such as the parents' committee of the State of Berlin. Affected communities participate in the decision-making process about a school's design via these voting members.

The responsibility for ensuring participation depends on the project and lies with the respective project manager from HOWOGE's school construction unit. They are responsible for applying the guidelines for participation in engaging with the affected communities. As the schools are still under construction, it was not possible to assess the effectiveness for this year's annual report. Two schools were completed in the spring of 2024 and were opened at the start of the 2024/2025 school year. To date, HOWOGE has received a positive response for its close collaboration and engagement with district and parents' representatives.

S3-3: Processes to remediate negative impacts and channels for affected communities to raise concerns

[S3-3-27b-d] HOWOGE has established customer centers in the neighborhoods as direct points of contact with tenants. HOWOGE has general communication channels that may be contacted by anyone, as well as specific points of contact for different units such as social management, operational portfolio management, new construction and school construction. Affected communities can use these channels to express their concerns and needs. HOWOGE's email boxes can be accessed publicly via the company's website to ensure their availability. The general kundenzentrum@howoge.de mailbox is linked with a ticket system, which assigns the queries to the relevant department on the basis of keywords. The ticket system is intended to ensure the effectiveness of the channel by forwarding queries received directly to the responsible department for response. The respective department is responsible for monitoring and follow-up of the problem reported. HOWOGE has no standardized process but addresses the complaints it receives on an individual basis. Other communication channels for the residential and commercial portfolio, such as the neighborhood customer centers and telephone availability, can only be contacted at certain times that are publicized.

In addition, certain HOWOGE units have their own points of contact:

Social management offers rent arrears and social advice for tenants. This can be accessed via a dedicated mailbox and a telephone hotline. To facilitate individual on-the-spot advice and dialog, the department also holds a drop-in consultation session at its neighborhood container between 3 and 5 p.m. on the first and third Thursday of each month. Queries are handled directly by social management or passed on to the relevant department for processing. Queries about volunteering in the neighborhood can be submitted via the general mailbox – kundenzentrum@howoge.de – or via a dedicated channel: ehrenamt@howoge.de.

In addition to the general mailbox, the commercial segment can be contacted via a dedicated mailbox operated by the central commercial unit management department. Queries are handled directly by this department or passed on to the relevant department for processing. Affected communities are not explicitly involved in measuring the effectiveness of the channels. However, the queries received are analyzed on a regular basis to improve service quality, for example. In respect of the commercial units in schools, parents and other residents of the neighborhood may contact HOWOGE directly or via a dedicated mailbox for the school construction unit. The email addresses and phone numbers are shown on HOWOGE's website. Moreover, a construction sign at the site of each school construction project provides information about the relevant contacts.

HOWOGE uses various communication channels to provide timely and transparent information to affected communities about new construction projects. General reports about new housing construction projects are also posted on the company's website. HOWOGE provides regular information about the next steps in a new housing construction project via circulars posted to residents or displayed in building lobbies. The central communication channel is a project-specific email address. HOWOGE collects and responds to the questions, information and suggestions it receives in a Q&A catalog on its website.

[S3-3-28] HOWOGE has no defined process to ensure that affected communities trust the communication channels provided. Awareness of the communication channels provided is ensured by making them freely accessible via the website. In specific cases, the company may contact residents directly, for example using circulars as described above. The strategies for protecting individuals from reprisals are described in *G1-1*.

S3-4: Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions

[S3-4-32c-d] No negative impacts for affected communities were identified by the materiality assessment. Therefore, HOWOGE has no need to disclose remedial actions. To foster the positive impact of the "Commercial mix," HOWOGE implemented an action during the reporting period. The effectiveness of the "Analysis of potential" action is not measurable but serves as the basis for the future strategic approach that is yet to be defined.

Action: Analysis of potential

Expected results of the action: An analysis of potential for the needs-based development of existing and future ground floor areas was performed in the first half of 2024. The resulting catalog of ground floor areas provides an overview of industry indicators and the site development requirements in a model neighborhood. This supports strategic alignment and the resulting program for a site. For example, a café terrace encourages customers to stay longer and a signpost system serves as a functional element providing guidance.

Contribution of the action to implementing the concept and targets: The action contributes to implementing the corporate strategy policy. The targets of "Developing neighborhoods that deliver quality of life" and "Ensuring short distances to amenities" are described in the "Growth strategy" section of the corporate strategy.

Scope of the action in relation to HOWOGE's activities: The action relates to new construction and letting. A trend analysis and a catalog of suitable uses – also special commercial concepts – complement these strategic instruments and support the location-based and needs-based development of a neighborhood for its residents and visitors.

Scope of the action in relation to the upstream and downstream value chain: The action concerns the downstream value chain. The result is a needs-based commercial mix in the neighborhood for tenants as consumers and end-users and for residents and visitors as affected communities.

Geographical scope of the action: The action mainly takes place in Berlin and Brandenburg.

Scope of the action in relation to affected stakeholders: The action relations to both the residents and visitors of the neighborhood and the tenants who live there.

Time horizon for the intended completion of the action (short-, medium- and long-term): The potential analysis was conducted in the first half of 2024. The action has been completed.

[S3-4-36] In 2024, no serious problems or incidents were reported in connection with human rights in relation to the company's affected communities.

[S3-4-38] Each year, HOWOGE provides funding of around EUR 1.7m for social commitment. The budget is based on a social scoring system. Every two years, neighborhood or social space profiles are prepared. These are primarily based on data from the government's "Social city" program and from the company's own sources. The indicators used to determine the need for action are assigned to high, medium and low categories in line with a traffic light system. The neighborhoods receive budgets in line with the traffic light system. Funding is also provided for projects concerning more than one neighborhood. Human resources are assigned to the neighborhoods on the basis of the profiles and the need for action. For example, HOWOGE's social management department will be allocated more human resources in red than in green neighborhoods. This is because HOWOGE implements more of its own projects here and needs to conduct the necessary networking and committee activities.

In the commercial segment, HOWOGE provides human resources in the form of a dedicated department that is responsible for designing, letting and managing commercial units throughout the value chain. Under certain conditions, a fitting-out budget is available for new commercial units. An additional fitting-out budget categorized by neighborhood is used to upgrade existing commercial units and make them suitability for letting.

Participation topics relating to new housing construction are handled by the managers of specific new development and construction projects and, generally, by the participation team in the new construction and development unit. In addition, four external service providers (participation offices) are involved on the basis of master agreements. Generally speaking, financial resources for participation services are planned for each project.

In 2018, HOWOGE established its own school construction unit. Participation issues are handled by the respective project managers. There is no separate participation team.

Financial resources for all actions relating to school construction – including the implementation of the material impact of "Commercial mix" – are allocated in line with the financing structure defined in the master agreement with the State of Berlin. If, in accordance with the material impact of "Commercial mix," non-school uses are planned in the school, these are defined in the project agreement with the respective district and implemented within the planning.

Metrics and targets

S3-5: Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

[S3-5-41] HOWOGE has set itself the qualitative target of fostering long-term satisfaction, security and social cohesion in its neighborhoods.

The target fosters the positive impact of "Social cooperation and donation projects."

[ESRS-2-MDR-T-81b] Two processes are used to monitor the effectiveness of the policies applied by HOWOGE in relation to the material sustainability-related impacts, risks and opportunities.

- HOWOGE strengthens the long-term satisfaction, security and social cohesion in at least five neighborhoods.
- HOWOGE regularly monitors the sustainability target.

The effectiveness of the actions is not monitored.

HOWOGE has also set itself the target of working consistently to reduce the consumption of resources and waste and to implement circular economy processes. By way of at least three joint actions each year, HOWOGE's process contributes to saving resources and thus attaining the target. The target thereby fosters the positive impact of "Social cooperation and donation projects." For further information, see *E5-3-23*.

[S3-5-42a-c] The company's sustainability targets are developed each year in September in a collaboration between the responsible departments and the sustainability function. The targets developed were presented to and approved by the management board in October 2024. Affected communities, their legitimate representatives or credible proxies are not involved in defining the targets.

Affected communities, their legitimate representatives or credible proxies can monitor the company's performance in relation to attaining the sustainability targets via its published sustainability report. This contains information about the degree of target attainment.

HOWOGE sustains a regular dialog with its stakeholders and affected communities to discuss matters such as possible improvements to the company's services.

3.3.3 S4 Consumers and end-users

Policies

In connection with this topic-specific standard, various policies are listed which are explained on the basis of the respective minimum disclosure requirements.

Corporate strategy

The presentation of the corporate strategy complies with the minimum disclosure requirements contained in topical standard E1. See *corporate strategy*.

Material IROs relating to the strategy: Proactive communication measures (impact), barrier-free communication (impact), overall rent structure (impact), letting to holders of a certificate of eligibility for public housing (impact).

Sustainability strategy

The presentation of the sustainability strategy complies with the minimum disclosure requirements contained in topical standard E1. *See sustainability strategy*.

Material IROs relating to the strategy: Proactive communication measures (impact), barrier-free communication (impact), letting to holders of a certificate of eligibility for public housing (impact), overall rent structure (impact).

Group risk management policy

The group risk management policy complies with the minimum disclosure requirements contained in topical standard E1. See *Group risk management policy*.

Material IROs relating to the policy: Proactive communication measures (impact).

Strategy

S4-SBM-3: Material impacts, risks and opportunities and their interaction with strategy and business model

[S4-SBM-3-9a] As one of Berlin's housing companies, HOWOGE has a social responsibility to provide affordable housing to many people. Clear provisions in HOWOGE's articles of association and the cooperation agreement with the State of Berlin govern how the company allocates housing in order to achieve a mixed tenant structure. As a result, the available housing may be assigned to people from all sectors of the population on the basis of need. The company applies a non-discriminatory letting process that gives all people an equal opportunity to be considered for an apartment. The positive impacts of "Overall rent structure" and "Letting to holders of a certificate of eligibility for public housing" influence HOWOGE's strategy and business model because they are governed by the cooperation agreement with the State of Berlin. This includes clear provisions on the rent structure and the proportion of tenants with a certificate of eligibility for public housing (WBS). These provisions are used as target and management metrics in the context of HOWOGE's strategy. In the portfolio management strategy, the positive impacts are found in the area of economic responsibility.

Proactive and barrier-free communication is part of the corporate strategy. It is derived from the property management, customer satisfaction and IT platform digitalization sub-strategies. The corporate strategy is updated at irregular intervals, also on the basis of ideas received from corporate communication and marketing in relation to, for example, proactive and barrier-free communication as an integral part of the corporate strategy. This ensures that broad sectors of the population are informed about HOWOGE's current offering, giving them with the opportunity to apply for an apartment that meets their needs.

No material risks and/or opportunities were identified by the materiality assessment.

[S4-SBM-3-10a, c] Consumers and/or end-users who are affected by the material impacts of HOWOGE's activities or value chain are not:

- Consumers and/or end-users of products that are harmful to people and/or increase the risk of chronic illness
- Consumers and/or end-users of services that may have a negative impact on their right to privacy, the protection of their personal data, freedom of expression and non-discrimination
- Consumers and/or end-users who depend on accurate and accessible product and service information such as manuals and product labels in order to avoid a potentially harmful use of a product or service
- Consumers and/or end-users who are particularly susceptible to impacts on their health or privacy or to the impacts of marketing and sales strategies, such as children and financially vulnerable people

The positive impact of “Overall rent structure” relates to all HOWOGE’s tenants and potential tenants; the positive impact of “Letting to holders of a certificate of eligibility for public housing” relates to all tenants and potential tenants who are entitled to a certificate of eligibility for public housing due to their financial situation. The tenant and potential tenant structure is broad, ranging from people on low and medium incomes who, depending on their assets, may be entitled to a HOWOGE’s certificate of eligibility for public housing through to higher-earning households. HOWOGE’s heterogeneous residential portfolio enables it to provide housing for single people, couples, families and students.

In developing its neighborhoods, HOWOGE seeks to ensure that different cultures and social groups live together peacefully and benefit culturally and economically from each other. In order to achieve this objective, different proportions of the portfolio are assigned to the different groups: 63% of existing apartments and at least 50% of newly constructed apartments are offered to people with proven eligibility for public housing. Consideration is also given to certain vulnerable groups, such as women affected or threatened by abuse, homeless people and refugees. In accordance with the cooperation agreement with the State of Berlin, the income threshold for a certificate of eligibility for public housing was increased in 2024 so that many more potential tenants can benefit from such a certificate. Increasing the income threshold has entitled some people in the middle income group to receive a certificate of eligibility for public housing. These people have little chance of finding an affordable apartment on the free, i.e., unsubsidized, housing market.

The positive impact of “Proactive communication” benefits all tenants and potential tenants. The positive impact of “Barrier-free communication” mainly relates to and benefits people with poor eyesight or reading ability. HOWOGE has many barrier-free access channels. The individual level of accessibility can be set on the company’s website. Tenants and potential tenants have the option of viewing information videos dubbed in sign language, switching websites to plain language, increasing font size and adjusting contrast. Tenants and potential tenants can submit queries to HOWOGE via various channels, including social media and email. These queries are reviewed and a response provided within a very short time. If personal contact is preferred, it is possible to speak directly with the janitor for the respective building or to make an appointment at one of the customer centers. HOWOGE tenants can also contact the tenants’ advisory board for the neighborhood.

Management of impacts, risks and opportunities

S4-1: Policies related to consumers and end-users

[S4-1-16a-c] The declaration on respect for human rights clearly states that HOWOGE must treat tenants and potential tenants with respect, irrespective of the individual, their ethnic origin, education and religion and shall not tolerate any form of human rights abuse. The letting process is non-discriminatory and in accordance with our compliance provisions. A social management team supports tenants who are experiencing social hardship. HOWOGE has established structures and actions to remedy any human rights abuses that might occur. Further explanations are provided in *S1-1-20a-c*. The actions described there apply to both tenants and potential tenants.

Tenants may also obtain advice from an ombudsperson about the provisions and agreements that exist between the State of Berlin and its housing companies. These are primarily the provisions of the cooperation agreement and Berlin's Housing Supply Act (WoVG Bln) and relate to, for example, the affordability promise that ensures that the average net rent (excluding heating and utilities) does not account for more than 27% of a household's income. The new cooperation agreement specifically reduced the affordability threshold from 30% to 27% of net household income. If tenants wish to make use of the affordability promise, it is important that they do not exceed the thresholds for income and living space that entitle them to a certificate of eligibility for public housing. They may thus apply for a reduction in this share of their income. Tenants may also request the application of the affordability promise in respect of rent increases or the allocation of expenses for modernization measures.

[S4-1-13, 14, 15, 17] HOWOGE has a social mandate to ensure socially responsible rents and this is an integral part of its corporate strategy. The sustainability strategy is derived from the corporate strategy and, in the new construction and portfolio action area, relates to the material IROs of "Overall rent structure" and "Letting to holders of a certificate of eligibility for public housing." Both positive impacts are therefore derived from the corporate and sustainability strategies.

As presented under "Policies" in *S1-1*, HOWOGE has published a declaration on respect for human rights. HOWOGE'S approach to respecting human rights covers its own workforce, suppliers, affected communities, tenants and potential tenants. In this way, HOWOGE meets its obligation to implement monitoring processes and mechanisms. This includes monitoring compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work and OECD Guidelines for Multinational Enterprises. HOWOGE is currently not aware of any violations of the aforementioned frameworks. Corresponding channels have been established for tenants to report complaints.

S4-2: Processes for engaging with consumers and end-users about impacts

[S4-2-20a-d] As a municipal housing company, HOWOGE must apply the rent structure defined by the Berlin Senate. This was established in the cooperation agreement "Affordable rents, new housing construction and social housing supply" with the State of Berlin as the credible proxy of tenants and potential tenants. The agreement has been valid since January 1, 2024. It considers the views of tenants and potential tenants and is the basis for collaboration with HOWOGE. The agreement defines aspects such as the aforementioned affordability promise of communal housing companies. This results in protection for households on low and medium incomes that satisfy the conditions of the affordability promise. In this way, HOWOGE ensures affordable housing for broad sectors of the population. The current cooperation agreement is valid until December 31, 2027. Generally speaking, cooperation agreements are negotiated between the Senate and the communal housing companies. If necessary (material social developments), an agreement is renegotiated before its expiration. Otherwise, it remains in force and is renegotiated when it expires.

Communal housing companies like HOWOGE have committed to letting 63% of their portfolio properties and at least 50% of their new properties to the holders of certificates of eligibility for public housing. A large proportion of HOWOGE's tenants hold certificates of eligibility for public housing. They are considered accordingly in communication channels, tenant surveys and quality management. Berlin's housing office is responsible for answering specific questions in relation to applying for a certificate of eligibility for public housing. In addition, HOWOGE performs its own checks of eligibility.

HOWOGE's customer centers are the central point of contact for tenants' queries and thus also for the holders of certificates of eligibility for public housing. The customer centers can be contacted at *kundenzentrum@howoge.de*. They process customer queries or forward them to the relevant departments. All HOWOGE's other communication channels establish contact to the customer centers and thus enable tenants to report their problems and concerns for resolution.

Via the tenants' advisory boards, tenants' council, customer centers and social management department, HOWOGE facilitates its tenants' direct and individual contact with the responsible person. Depending on the nature of the query (general or individual), issues relating to certificates of eligibility for public housing may also be reported. Tenants may contact HOWOGE employees during the general consultation sessions or by prior appointment, either in person, by phone or by email.

HOWOGE has a sub-page specific to certificates of eligibility for public housing on its website. This includes a link to the State of Berlin's WBS calculator and the contacts at the district housing offices.

In addition, all apartments for which the holders of certificates of eligibility for public housing may apply are flagged accordingly. This makes it possible to specifically identify issues and queries relating to certificates of eligibility for public housing. An ombudsperson has also been appointed. For further information, see *S4-1-16a-c*.

The mandate of communal housing companies to provide housing to people including the holders of certificates of eligibility for public housing is not restricted to specific phases. This relates to the inclusion of and communication with tenants and potential tenants on this issue. This is done on an ad hoc basis. Tenants and potential tenants can contact HOWOGE's customer centers with questions. Tenants may also contact the tenants' advisory board and the tenants' council. There are regular opportunities to contact the tenants' advisory boards and tenants' council by phone. The contact data are shown on the HOWOGE website (www.howoge.de/mieterbeirat and www.howoge.de/mieterrat).

The statements concerning engagement also affect the impact of "Proactive communication measures" and "Low-barrier communication."

The head of operational portfolio management is the most senior function and therefore holds operational responsibility for engaging with tenants and ensuring that the outcomes are incorporated into the corporate policy (HOWOGE's corporate strategy). HOWOGE's management board is responsible for negotiating the cooperation agreement and for taking the corresponding economic and operational decisions. The outcomes of the negotiation are incorporated into the corporate policy (HOWOGE's corporate strategy).

Proactive communication measures

Cooperation aimed at ensuring proactive communication is based on need and ad hoc requirements. On the one hand, HOWOGE can be contacted via the aforementioned channels (see *S4-3-25*) and responds to the matters reported to it. On the other hand, the company actively approaches tenants if this is necessary in connection with the use of the services it provides. In addition, there are regular meetings between the job centers, HOWOGE's social management department and the customer centers to discuss issues relating to housing benefit.

HOWOGE's management board is the company's most senior function with responsibility for communication. The head of corporate communication and marketing is responsible for implementing communication measures; the head of operational portfolio management is responsible for measures involving direct customer contact.

Tenants and potential tenants may influence the content of communications via the customer centers, social media channels, the tenants' council and the tenants' advisory boards. All queries addressed to HOWOGE are reviewed and forwarded for processing depending on their content. If tenants express concerns that are relevant to the entire tenant community, they are integrated into the overall communication process. Content is processed in a collaborative process involving operational portfolio management (specifically the person responsible for tenant communication), various committees and

HOWOGE's internal working group on tenant communication. The outcomes are integrated into HOWOGE's harmonized communication activities. Queries received via social media channels are analyzed at regular intervals. The processing status is recorded in an activity log that verifies the effectiveness of the collaboration.

Low-barrier communication

Cooperation aimed at ensuring low-barrier communication involves tenants and potential tenants to a varying degree. The content of the HOWOGE website is prepared in a way that presents few barriers. In this way, the company provides access to the relevant information. Approaches include the use of plain language, multilingual information and low-barrier access to apartment postings and the stakeholder app. HOWOGE's social media channels focus on providing content in easy-to-understand language.

Any concerns about low-barrier communication raised by tenants with the tenants' council or tenants' advisory board are forwarded to operational portfolio management for processing. The usually monthly meeting between the neighborhood management teams and the tenants' advisory boards is another option for reporting these concerns to HOWOGE. Queries from the tenants' council and tenants' advisory boards are channeled via the person responsible for tenant communication and HOWOGE's committee and forwarded for processing to the appropriate department – usually corporate communication and marketing.

S4-3: Processes to remediate negative impacts and channels for consumers and end-users to raise concerns

[S4-3-25a-d] HOWOGE has identified no negative impacts relating to consumers and end-users. It provides a large number of communication channels for tenants and potential tenants to contact the company and express their concerns. The large number of communication channels ensures continuous accessibility and effective dialog with tenants and potential tenants. HOWOGE's communication channels are described below.

Social media channels

All tenants and potential tenants have access to communication via social media. HOWOGE's social media team monitors the social media channels on a daily basis; at weekends and on public holidays, this is done by a service provider. The social media channels are analyzed on a quarterly basis. The focus is on the channels' performance, for example, number of followers, content reach and interaction rates. If a customer communicates a concern, the social media team forwards it to the right point of contact and provides the tenants and potential tenants with the contact details of the customer center. The concern or issue raised is then processed by the customer center or Technical Customer Service.

HOWOGE website

The functionality and accessibility of HOWOGE's website is reviewed on a daily basis by the corporate communication and marketing. This ensures the effectiveness of this communication channel. A quarterly monitoring process analyzes the website's user numbers.

HOWOGE news and print products

The contact details for the customer centers and social management are listed in HOWOGE News and other print media and include a reference to HOWOGE's website from which the customer centers and social management can also be contacted.

Tenants' advisory board/tenants' council/customer centers/social management

Via the tenants' advisory boards, tenants' council, customers centers and social management, HOWOGE enables its tenants and potential tenants to contact the relevant persons directly in order to report and discuss problems that require addressing. Contact may be in person by prior appointment or by phone and email.

[S4-3-26] HOWOGE conducts dialog with its customers via the generally known and established communication structures, primarily the website at www.howoge.de. To ensure that tenants are aware of the communication channels, the domain name is included in all communications with customers such as mailshots, thereby ensuring that it is generally known. Customers' trust in these communication channels is proved by their extensive use as shown by monitoring. The company analyzes on a quarterly basis how many queries are sent to HOWOGE and on what matters via the communication channels. The company's website is the main point of contact for communication with customers. All the aforementioned channels can be accessed from the company's website. The exception is Google Review because this channel is not controlled by the company. Nevertheless, customers may contact HOWOGE via this channel at any time. Every customer contact via Google Review is acknowledged and assessed by the social media team. Depending on the subject of the query, it is processed by the social media team itself or forwarded to operational portfolio management or the customer center. The personal support for the various communication channels ensures their effectiveness. Inquiries are generally answered within three days. If a query is received outside the hours of 9 a.m. to 5 p.m. (Monday to Friday), an automatic acknowledgment is sent. This does not replace personal contact at a later point in time. Other department-specific communication channels for HOWOGE's customers are listed under *S3-3*. Germany's Whistleblower Protection Act (HinSchG) provides protection against reprisals – see *G1-1-10*.

S4-4: Taking action on material impacts, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions and approaches

[S4-4-30, 31c-d] In 2024, HOWOGE introduced an app for tenants as a way of fostering the positive impacts of proactive communication. A project team was established to monitor and assess the effectiveness of the tenant app. It works continuously to address any problems with the app and refine its functionalities. The tenant app is subject to continuous development that will add new functions.

Action: “meine HOWOGE” app for tenants

Expected results of the action: The tenant app facilitates proactive and more efficient communication so that tenants receive the information they need more quickly and HOWOGE can improve dialog with its tenants. Simple matters such as the current rent composition can be answered automatically. This simplifies the provision of information and may involve consulting documents such as rental agreements and invoices for operating costs.

Contribution of the action to implementing the concept and targets: The tenant app aims to increase tenant satisfaction.

Scope of the action in relation to HOWOGE’s activities: The tenant app is available to HOWOGE’s tenants and concerns the management of HOWOGE’s core business.

Scope of the action in relation to the upstream and downstream value chain: The tenant app focuses on HOWOGE’s tenants and thus on the company’s downstream value chain.

Geographical scope of the action: HOWOGE’s tenants are located in Berlin and Brandenburg.

Scope of the action in relation to affected stakeholders: The tenant app focuses on HOWOGE’s tenants.

Time horizon for the intended completion of the action (short-, medium- and long-term): The tenant app was launched as an additional communication channel at the end of November 2024. There is no time limit on access to the tenant app and tenants may use it throughout the rental relationship.

[S4-4-35] No negative impacts for consumers and end-users were identified by the HOWOGE’s materiality assessment. In 2024, no serious problems or incidents were reported in connection with human rights in relation to the company’s consumers and/or end-users.

[S4-4-37] Vis-à-vis the Senate, HOWOGE has committed to a target of letting 63% of its portfolio properties and at least 50% of newly constructed apartments to the holders of certificates of eligibility for public housing. In order to regulate and allocate the limited number of available apartments in light of the large number of eligible individuals as determined by the Senate, it is essential to provide extensive information to tenants and potential tenants about the letting and affordability of their apartments.

Asset management is responsible for managing and reviewing target attainment. In this respect, HOWOGE has taken the initiative and proactively provided the necessary means and information for ensuring that tenants are aware of their rights. Via the HOWOGE apartment search app for potential tenants and the company's website, HOWOGE provides clear and simple information about certificates of eligibility for public housing and regulations and the affordability promise contained in the cooperation agreement as last amended. This gives all groups access to information and services and enhances the knowledge, independence and personal responsibility of tenants and potential tenants. In the case of ad hoc actions such as rent increases or planned modernization measures, HOWOGE provides timely information to tenants about the affordability promise. This states that tenants have the option of obtaining a review of the affordability of their rent in relation to their household income during a tenancy. This enables the company to reduce the tenant turnover rate and fosters mixed-use neighborhoods (known as the "Berliner Mischung").

HOWOGE also provides the necessary human and technological resources to ensure the continuous availability of its corporate website and social media channels, the HOWOGE News newspaper for tenants, ad hoc print products and the app for potential tenants. The channels are maintained, supported and refined proactively and regularly. In addition, since the end of 2024, tenants also have the option of contacting HOWOGE via the "*meineHOWOGE*" tenant app. They can use this to access their rental agreements, communicate concerns and obtain general information.

By providing and maintaining adequate capacities in its organizational units, HOWOGE ensures the accessibility of the customer centers and Social Management.

Another way of managing material impacts is via the regular dialog meetings between the customer centers and the tenants' advisory boards in the neighborhoods. In addition, the tenants' council meets with HOWOGE's management board on a quarterly basis. This gives the tenants' council the opportunity to raise tenants' concerns and questions in person and receive answers. The tenant communication specialist serves as the interface between the tenants' advisory boards, tenants' council, management board and customer centers, ensuring and coordinating an open and productive dialog. Further information about HOWOGE's information channels can be found under *S4-2-20* and *S4-3-25*.

Metrics and targets

S4-5: Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

[S4-5-40] HOWOGE has set itself the qualitative target of creating more affordable housing in Berlin by purchasing and/or building residential units each year. This target also fosters the positive impacts of "Letting to holders of a certificates of eligibility for public housing" and "Overall rent structure."

[ESRS-2-MDR-T-81b] Regular monitoring of the sustainability target as well as one target and one indicator are used to monitor the effectiveness of the policies applied by HOWOGE in relation to the material sustainability-related impacts, risks and opportunities. The effectiveness of the actions is not monitored.

Target: HOWOGE lets at least 50 % of its residential units to tenants with a certificate of eligibility for public housing. The certificate of eligibility for public housing ratio is the metric used to assess progress. The reference date is January 1, 2025.

[S4-5-40] HOWOGE has also set itself the qualitative target of continuing to develop its digital infrastructure in order to facilitate flexible and collaborative working by all employees. This target fosters the positive impact of "Barrier-free communication."

[ESRS-2-MDR-T-81b] Two processes are used to monitor the effectiveness of the policies applied by HOWOGE in relation to the material sustainability-related impacts, risks and opportunities.

- The company has introduced at least three other self-service functions (tenant app) to improve efficiency in the customer centers thanks to low-barrier communication.
- It regularly monitors the sustainability target.

HOWOGE's process of implementing at least three joint actions each year to raise tenants' awareness for saving resources contributes to achieving the target of working consistently to reduce the consumption of resources and waste and to implement circular economy processes. This target fosters the positive impact of "Proactive communication measures." For further information, see *E5-3-23*.

[S4-5-41a-b] The company's sustainability targets are developed each year in September in a collaboration between the departments responsible for the issue and the sustainability function. The targets developed were presented to, amended as necessary and then approved by the management board in October. Consumers and end-users, their representatives or credible proxies are not involved in defining the targets.

Consumers and end-users, their representatives or credible proxies can monitor the company's performance in relation to attaining the sustainability targets via its published sustainability report. This contains information about the degree of target attainment.

3.4 Governance information

3.4.1 G1 Business conduct

Policies

In connection with this topic-specific standard, various policies are listed which are explained on the basis of the respective minimum disclosure requirements.

Sustainability strategy

The presentation of the sustainability strategy complies with the minimum disclosure requirements contained in topical standard E1. *See sustainability strategy*.

Material IROs relating to the strategy: Corporate culture values (impact), protection of whistleblowers (impact), general supplier relationships (impact), corruption prevention (impact), non-discriminatory letting process (impact).

Declaration on respect for human rights

The presentation of the declaration on respect for human rights complies with the minimum disclosure requirements contained in topical standard S1. See *Declaration on respect for human rights*.

Material IROs relating to the declaration on respect for human rights: Corporate culture values (impact), general supplier relationships (impact).

Group risk management policy

The group risk management policy complies with the minimum disclosure requirements contained in topical standard E1. See *Group risk management policy*.

Material IROs relating to the policy: Corporate culture values (impact), general supplier relationships (impact), corruption prevention (impact), non-discriminatory letting process (impact).

Group compliance policy

Contents

Description of the main contents of the strategy: The group compliance policy provides all employees, managers and the management board with a framework to guide their conduct and ensure legal certainty in their day-to-day work. The aim is to avoid economic and reputational damage to the company. The policy comprises sections on the compliance management system and values, compliance structure and protection for whistleblowers, compliance regulations, compliance risks and compliance communication.

The underlying ethical principles also serve as the basis for the work of the governing body (supervisory board), exceeding the regulatory requirements for overseeing the activities of the management board. The group compliance policy, the company's missions statement and the HOWOGE code provide guidance for the company's standards of conduct.

General objectives of the group compliance policy: Against the backdrop of the target of being a responsible undertaking, the policy demonstrates the correct and appropriate conduct for employees, managers and the management board.

Material IROs relating to the strategy: Corporate culture values (impact), protection of whistleblowers (impact), general supplier relationships (impact), corruption prevention (impact), non-discriminatory letting process (impact).

Monitoring process: The group compliance policy is regularly reviewed by the compliance officer.

Area of application

Area of application in respect of activities: The group compliance policy applies to the HOWOGE Group. It applies to HOWOGE's own business activities and covers project planning and support, letting and management of residential units, construction of new residential buildings and schools and the supply of heating, hot water and electricity.

Area of application in respect of the value chain: The group compliance policy applies to all employees of the HOWOGE Group and contains provisions for collaboration with business partners in the upstream and downstream value chain.

Area of application in respect of the geographical area: HOWOGE's real estate portfolio is located in Berlin and to a small extent in neighboring Brandenburg. There is a strong concentration in Berlin's Lichtenberg district, currently accounting for around 75% of residential units.

Area of application in respect of affected stakeholder groups: The stakeholder groups include tenants, employees, business partners and suppliers.

Responsibilities

The management board is responsible for compliance. The GRC function is responsible for implementing the group compliance policy.

References to other standards/initiatives

The group compliance policy complies with the standard of the Institute of Corporate Governance and IDW PS 980.

Consideration of interests

The group compliance policy was prepared in collaboration with a number of HOWOGE departments. New topics for the policy are discussed with the compliance steering committee, which is made up of representatives from all departments.

Stakeholders

The group compliance policy is an annex to employment contracts. It is not published externally.

Management of impacts, risks and opportunities

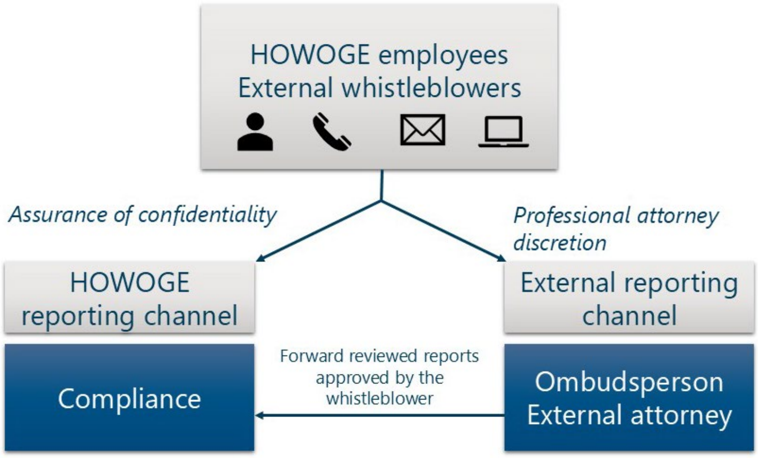
G1-1: Business conduct policies and corporate culture

[G1-1-9] HOWOGE fosters a corporate culture based on values and principles. HOWOGE's values are embedded in compliance management. The Governance, Risk and Compliance function is the contact for the compliance management system within the company. The design and implementation of the corporate culture is also ensured by close collaboration with the relevant functions like HR.

Value-based compliance management is an integral part of the group compliance policy. A central aspect is that all employees know the company's value and incorporate this actively in their day-to-day work. In addition, they make a personal commitment to HOWOGE's values and compliance targets and are expected to lead by example through their conduct. They are also expected to ensure that the values are integrated within their teams and applied in their workflows.

Regular employee surveys (see *S1-2-27*) deliver important feedback about workforce satisfaction and engagement. They serve as the basis for assessing the corporate culture and identifying specific measures for its improvement. As already explained for S1, the responsible managers are required to work with their teams to assess the findings by the end of the first quarter of 2025 and identify specific action areas.

[G1-1-10a-h] HOWOGE has implemented a comprehensive whistleblower system for employees and third parties – see *ESRS 2 Sustainability management graphic*. The internal and/or external reporting channels for whistleblowers include mail, email, phone or in person meetings. The reports received and the findings of risk workshops serve as the starting point for internal and external audits and analyses if they relate to issues that do not comply with statutory requirements, the code of conduct or the company's internal regulations. Regular reporting to the management and supervisory boards and the provision of information to the works council help to ensure a rapid response to critical findings. Broad-based communication within the company is ensured by a suitable compliance structure that includes the steering committee comprising the management board, the heads of all departments and functions, the managing directors of the subsidiaries, the chair of the works council and an external consultant. In specific, ad hoc situations, a task force supports the management board in defining actions and sanctions. This task force comprises the heads of the legal, human resources and compliance functions.



The group compliance policy provides HOWOGE with an effective instrument for establishing clear and understandable regulations and standards and to communicate these to all those concerned – see *Group compliance policy*. It provides clarity as to the significance of legal compliance as a key pillar of the company. Implementation of the policy provides certainty as to the correct and appropriate conduct, explains how employees and managers can operate within a defined framework and ensures a commitment to the targets of a responsible undertaking. The group compliance policy is aligned with the United Nations Convention against Corruption.

The compliance team within the governance, risk and compliance function is the central point of contact for all employees and managers for questions, reports and compliance cases. These may be matters covered by the Whistleblower Protection Act (HinSchG), which transposes Directive (EU) 2019/1937 into German law. Whistleblowers also have the option of contacting the ombudsperson, whose most important function is to treat all discussions in confidence in accordance with professional attorney discretion, thus creating a low-threshold opportunity for submitting reports. HOWOGE's assurance that whistleblowers will not be sanctioned under labor law for reporting information is therefore an important aspect of the agreement between the ombudsperson and the works council that was integrated into a works agreement. In accordance with section 19 of the HinSchG, the German government has established an external (official) channel as a further option for whistleblowers. The law states that whistleblowers must receive confirmation from the channel (GRC/compliance, ombudsperson, external channel) to which they have submitted their report within seven days. In addition, whistleblowers must be notified of follow-up actions within three months, to the extent that this is legally permissible and expedient. HOWOGE appointed an external ombudsperson alongside internal reporting channels as early as 2013.

The compliance specialists work in the Governance, Risk and Compliance function and are selected on the basis of their expertise and personal suitability. HOWOGE's compliance officer has acquired extensive specialist expertise through training and certification measures that are updated and expanded at regular intervals. In 2024, she completed the internal investigation module at Steinbeis University.

The whistleblowing channels described above, application of the Whistleblower Protection Act and the independence and professional attorney discretion of the ombudsperson ensure that internal whistleblowers are protected from reprisals or disadvantage by the company. The group compliance policy also includes HOWOGE's strategy to protect whistleblowers.

A general process description applies. This describes what the reporter must observe. The management board is supported by a task force in its decision-making on incidents in connection with corporate policy, including possible cases of corruption and bribery. In this way, it is possible to initiate and ensure an independent and objective internal investigation without undue delay.

All employees receive compliance training once yearly. A training program in classroom-based and hybrid formats has been conducted since 2021. A distinction is made between different target groups – such as managers and new employees – and the training content is modified accordingly. The training includes information about internal reporting channels and the HinSchG. Reporting channels for whistleblowers is covered in the training for new employees, whereas communication with whistleblowers is an aspect of the training for managers. The training content is available to all employees in the HOWOGuide, the company's web-based compendium of internal information. The main topics of the training in 2024 were the principles of compliance and, for managers, the code of conduct.

On their first day with the company, new employees received a one-hour introduction to compliance and values from GRC/compliance. Specifically, this covers the corporate culture, HOWOGE's values and compliance principles, an overview of the certified compliance management system and its structure, the responsibilities for compliance, corruption prevention (e.g., how to handle gifts and invitations from third parties) and the company's whistleblower system in compliance with the Whistleblower Protection Act. Further details about the training and training concept can be found in *G1-3-21* Starting with top management, managers have an obligation to communicate the corporate policy, corporate ethics and corporate culture to the company's employees. In this connection, it is important to lead by example.

An assessment of the incidents and a survey of the department and function heads by the compliance specialists showed which of HOWOGE's functions are most vulnerable to corruption and bribery. These are the employees who are involved with the letting process. Third parties seek to influence decision-making in the housing allocation process. Also vulnerable are all functions connected with choosing service providers and awarding contracts.

G1-2: Management of relationships with suppliers

[G1-2-14] HOWOGE's policy for preventing delays in payment is focused on two elements:

- The dunning process in respect of payments owed by HOWOGE
- The digitalization of payment transactions, especially invoices from tradespeople (via a dedicated interface)

This interface makes it possible to avoid invoicing errors by tradespeople, which were common in the past, and thus avoid delays in payment. Tradespeople often operate as small and medium-sized enterprises. HOWOGE's payment transactions department prioritizes the processing of reminders. The highest priority is given to third reminders, followed by second reminders and then first reminders. HOWOGE is currently working on the further development of its strategy to avoid delays in payment.

Regarding payment practices, reference is made to the requirements described under *G1-6-33*.

[G1-2-15] In 2024, HOWOGE established the central procurement function in order to manage its suppliers more efficiently. The company works with a number of suppliers which are mainly selected in public tender processes.

As a communal company, HOWOGE is subject especially to the statutory requirements relating to the award to suppliers of contracts for construction, supply and other services. This is done on the basis of German procurement law (GWB – Competition Act, VgV – Ordinance on the Award of Public Contracts, UVgO – Lower Threshold Public Award Regulation) and the company's own regulations. This shapes the company's approach in respect of its relationships with suppliers and has an influence on sustainability matters.

HOWOGE defines the term "supplier" as follows: Creditors provide products or services and expect settlement of their claims for payment in return. Suppliers are a sub-group of creditors. A supplier is an upstream undertaking in the organization's supply chain and provides or delivers products or services that are used by HOWOGE to develop and generate its own products or services. Suppliers issue invoices for their products or services and are entitled to receive payment.

This definition covers both direct and indirect business relationships. HOWOGE's procurement processes govern direct business relationships with direct suppliers. Indirect business relationships with indirect suppliers are also governed in such a way as to comply with legislation and welfare provisions.

HOWOGE considers social and environmental criteria when selecting its suppliers. The company requires verification from all its suppliers, partners and contractors that they operate in accordance with values, regulations and legislation. This is ensured by contract award processes, among other things. As part of the procurement process, potential contractors must commit to complying with human rights and environmental provisions. They are required to sign a commitment to comply with human rights and environmental provisions in the supply chain. An external service provider makes random checks of whether companies do comply with these criteria, which include providing information about the planned or potential use of subcontractors, thereby indirectly governing the second level of the supply chain. HOWOGE’s procurement and contract award processes are based on the provisions of public procurement law. This means that our suppliers must disclose the following information, for example:

- Initiatives for the advancement of women and to ensure work-life balance (we require three measures in these areas for suppliers with more than 250 employees)
- Statement on complying with the core labor standards of the International Labour Organization (ILO) in respect of the use of certain products
- Statement on the payment of a minimum salary that is higher than the statutory minimum wage
- Statement on compliance with human rights and environmental requirements in the supply chain
- Commitment to refrain from using certain construction materials and to ensure the proper disposal of both non-hazardous and hazardous waste

HOWOGE applies the State of Berlin’s tender and procurement law (BerlAVG) and generally makes its social and environmental provisions the basis of its requests for tender, even if application of this law is not mandatory. Section 8 of the aforementioned law states that efforts must be made to ensure that the service does not include any goods obtained or manufactured in conditions that do not comply with ILO core labor standards. Moreover, measures must be taken to ensure the payment of a specific minimum wage, the advancement of women and compliance with collective pay agreements. HOWOGE’s suppliers must confirm this in a voluntary declaration. The company’s code of conduct is publicly accessible on its website.

In order to give greater consideration to sustainability criteria in all construction projects, whether in the area of new construction or portfolio, we constantly explore options for purchasing goods and services from companies with high social standards. In the reporting year, in order to satisfy environmental criteria, HOWOGE commissioned a life cycle assessment (LCA, in accordance with BS EN 15978:2011: Sustainability of construction works) for all newly constructed buildings with a gross floor area (GFA) of 5,000 sqm or more. In addition, an LCA is specified in the functional description of services 4.0.

As already described in *S1-1*, HOWOGE has been subject to the German Act on Corporate Due Diligence in Supply Chains since January 1, 2024. In this connection, the following aspects are relevant for the management of relationships with suppliers:

- In 2020, HOWOGE defined its sustainability strategy and developed sustainable sourcing initiatives. In 2022, an intracompany working group was established to implement and refine the core elements of companies' human rights due diligence as specified by the German Act on Corporate Due Diligence in Supply Chains. This includes an examination of the suppliers.
- At the same time, a complaint/grievance management system was introduced to enable whistleblowers to submit reports on human rights and environment-related risks and violations. This may also be used by suppliers.
- In addition, in 2024, a human rights and environment-related risk assessment was conducted. This covered both the abstract and specific analysis of the company's own business operations and those of its direct suppliers. The country- and industry-specific risks relating to suppliers are assessed in the abstract risk analysis. To identify and analyze the risks in the supply chain, HOWOGE uses the CSR Risk Check tool from MVO Nederland that was configured by the economic and human rights help desk of the Agency for Economic Affairs and Development (AWE). The findings of the CSR risk check are documented with the individual risks and potential preventive actions. A qualitative assessment of the industry risks is then performed to determine whether these may arise in connection with HOWOGE and which preventive actions HOWOGE has already taken to counter the risks. If the risk is high, the specific risk analysis assesses and prioritizes the risks previously identified on the basis of the probability of their occurrence and their potential impacts. It is assessed whether these risks actually occur at suppliers. To this end, a law firm has been engaged to send questionnaires to suppliers on a case-by-case basis. In addition, audits or verification by additional certification may be requested. Any risks identified are documented and corresponding remedial action implemented for the individual supplier. Due to its regional focus, HOWOGE mainly uses suppliers that operate in Germany or the European Economic Area. The company uses small and medium-sized enterprises and local construction companies for maintenance, modernization and small construction projects in particular.
- Departments such as central procurement undergo training to raise awareness of supplier management and the new human rights control mechanisms.

In addition, HOWOGE implemented the following actions in 2024:

Action: Appointment of a human rights officer

A human rights officer was appointed as at January 1, 2024, to monitor human rights and environment-related risks.

Expected results of the action: The company has created a position that monitors HOWOGE’s human rights and environment-related risks.

Contribution of the action to implementing the concept and targets: The human rights officer conducts an annual human rights risk assessment. In this way, he contributes to achieving HOWOGE’s sustainability target relating to the award of contracts.

Scope of the action in relation to HOWOGE’s activities: The human rights officer concerns himself with the human rights risks of HOWOGE as a whole and its activities.

Scope of the action in relation to the upstream and downstream value chain: In his work, the human rights officer considers the upstream and downstream value chain.

Geographical scope of the action: HOWOGE is mainly active in Berlin. Almost all HOWOGE’s suppliers (tier 1) come from Germany.

Scope of the action in relation to affected stakeholders: The human rights officer works with HOWOGE’s stakeholder groups to determine, for example, the corresponding ESRS metrics.

Time horizon for the intended completion of the action (short-, medium- and long-term): The action is not concluded because the human rights officer performs an ongoing function. For this reason, this is a long-term action.

Targets: In the area of management of relationships with suppliers, HOWOGE has set itself the qualitative target of complying with social standards when awarding contracts to companies.

[ESRS-2-MDR-T-81b] Two processes are used to monitor the effectiveness of the policies applied by HOWOGE in relation to the material sustainability-related impacts, risks and opportunities. The effectiveness of the actions is not monitored.

Processes:

- On the basis of the supplier-related risk management and analysis system, HOWOGE conducts a risk assessment at least once yearly to determine suppliers’ risk exposures and enable itself to initiate appropriate preventive and remedial actions at an early stage.
- HOWOGE regularly monitors the sustainability target.

G1-3: Prevention and detection of corruption and bribery

[G1-3-18a-c] In order to prevent corruption and bribery, HOWOGE has implemented a differentiated training concept in addition to its comprehensive regulations. When they join the company, new employees receive basic training from the compliance officer. This training is conducted in person to provide an opportunity to ask direct questions. Each year, all employees complete web-based training. In 2024, this concerned the principles of compliance and in 2025 it will cover corruption prevention. A further training option is a compliance simulation game.

Action: Web-based training with test on the code of conduct

In 2024, managers and the management board – which are functions-at-risk – additionally completed web-based training on the code of conduct.

Expected results of the action: The managers have knowledge of the code of conduct that they can communicate within the company and apply in their decision-making.

Contribution of the action to implementing the concept and targets: The training contributes to achieving the targets of the group compliance policy by demonstrating to employees, managers and the management board which conduct is right and appropriate in the context of a responsible undertaking.

Scope of the action in relation to HOWOGE's activities: The training addresses managers in all areas of the company, this covering all HOWOGE's activities.

Scope of the action in relation to the upstream and downstream value chain: The training on the code of conduct also covers the requirements in relation to the upstream and downstream value chain.

Geographical scope of the action: HOWOGE is mainly active in Berlin and Brandenburg.

Scope of the action in relation to affected stakeholders: The stakeholder groups that are indirectly and positively affected by the training for managers on the code of conduct are the employees who benefit from application of the knowledge acquired.

Time horizon for the intended completion of the action (short-, medium- and long-term): The action took place once only in 2024 and is thus a short-term action.

For employees and third parties to report issues, a comprehensive whistleblower system has been implemented as a process. The compliance organization has been established independent of other corporate structures and consists of compliance specialists in a separate function from the management board, a steering committee comprising all managers from the level below the management board and a task force in collaboration with the management board. In addition to the internal reporting channels (managers, compliance officer), which can be contacted in person, by post, by phone or by email, there is an external ombudsperson who not only handles the reports in confidence but is also required to maintain professional attorney discretion. Possible risks are assessed in annual risk workshops and updated as required. These workshops are held for all the company's organizational units and subsidiaries. The compliance management system is also subject to regular external audits. If any compliance-relevant issues are identified, the following process is initiated. The compliance specialists conduct internal investigations and establish a task force to take a decision. The task force decides on any possible consequences that may be necessary in accordance with labor, criminal or civil law. In addition, actions to improve the processes are defined.

The internal investigations are conducted by the compliance specialists of a separate function, possible with the support of the internal audit function. The task force – comprising the management board and the heads of the legal, human resources and compliance functions – takes decisions on the basis of the investigation findings. Its tasks and structure are defined in rules of procedure. If any members of the management chain are involved in a case of corruption, they may not be part of the investigating team.

The management board receives regular information in monthly jour fixe meetings. As a part of the task force, it is involved in all steps in respect of compliance-related issues. In urgent cases, ad hoc information can be provided to the management board. In urgent cases, the management board informs the supervisory board in a timely manner. The regular reporting to the supervisory board is made once yearly in the form of a compliance report. In addition, there is a quarterly meeting with the chairman of the supervisory board.

[G1-3-20] The communication based on the corporate strategy and specified by the group compliance policy is based on various training formats. These are explained in *G1-10* and *G1-3-21*.

All training content is made available in the HOWOGuide, the company's web-based information platform. In addition, ad hoc information on compliance-related issues is published on the intranet.

When a contract is signed, suppliers receive information about HOWOGE's compliance regulations. In addition, the HOWOGE code – also available on the company's website – governs the collaboration with business partners. Customers are also informed about the key aspects of the group compliance policy that affect them via HOWOGE's compliance structure and whistleblower system website.

[G1-3-21a-c]

	Group-wide	New employees	Managers and management board (functions-at-risk)	Other (simulation game)
Training method	Web-based	Classroom-based	Web-based	Classroom-based
Frequency	Yearly	Monthly (always when new employees are hired but each employee only once)	Yearly	Monthly (January to May)
Topics	- Principles of compliance - Definition of terms - Relevance - Consequences	- Principles of compliance - Definition of terms - HOWOGE compliance management system - Corruption prevention - Responsibilities - Reporting options for whistleblowers	- Code of conduct: Internal/external - Regulations - Data protection - Corruption - Communication - Whistleblowers	Case processing

In 2024, 99% of functions-at-risk were covered by the training program. HOWOGE defines functions-at-risk as managers and the members of the management board. In 2024, corruption prevention and bribery were topics of the compulsory training for the supervisory board that takes place every two years.

In the area of compliance, HOWOGE has set itself the qualitative target of continuing to develop its compliance management process.

[ESRS-2-MDR-T-81b] Three processes are used to monitor the effectiveness of the policies applied by HOWOGE in relation to the material sustainability-related impacts, risks and opportunities. The effectiveness of the actions is not monitored.

Processes:

- Successful certification is performed in accordance with a recognized standard every three years.
- Compliance training is completed for all new employees and annual training for managers.
- HOWOGE regularly monitors the sustainability target.

Metrics and targets

G1-4: Confirmed incidents of corruption or bribery

[G1-4-24a-b] In 2024, there were no legal proceedings in connection with corruption or personal enrichment against HOWOGE or its employees.

There were no convictions in 2024.

No fines were imposed for violations of corruption and bribery regulations in 2024.

The following actions are implemented to counter violations for processes and standards to combat corruption and bribery. The compliance specialists conduct internal investigations and, in consultation with managers or departmental specialists, define actions based on the provisions of the group compliance policy such as exclusion from HOWOGE's letting process for one year in the case of attempted bribery by a potential tenant. In the case of particularly serious violations, the task force decides on any possible consequences that may be necessary in accordance with labor, criminal or civil law. In addition, actions to improve the processes are defined.

[ESRS 2 MDR-M-77a to G1-4-24a]

HOWOGE uses a document assessment as the method. No significant assumptions or limits are associated with the method.

G1-6: Payment practices

[G1-6-33a-d] The assessment for 2024 showed that HOWOGE takes an average of 27 days to settle an invoice from the start of the contractual or statutory payment period.

This assessment covered all creditors in the period from January to December 2024. The SAP Business Warehouse system was used for the assessment; the document date was compared with invoice payment date.

Standard payment terms are stored in HOWOGE's ERP system. As a rule, invoices are paid as soon as they are approved. Discount terms are reviewed and applied separately. The current standard payment terms in HOWOGE's ERP system are as follows:

- Payable immediately without deduction (0% discount)
- 8 days (1%/2%/3% discount)
- 14 days (2%/3% discount)
- Within 30 days without deduction (0% discount)

Due to the ongoing procurement optimization process, it is currently not possible to disaggregate the standard payment terms by main supplier category. They will be reported once the new creditor categories have been defined and input into the ERP system for each creditor and the standard payment terms have been finalized.

At present, it is not possible to quantify the number of payments to which the standard payment terms apply. This information will also be available once the procurement optimization process has been completed.

At present, no legal proceedings are pending in connection with a delay in payment (creditor = passive dispute).

[ESRS 2 MDR-M-77a to G1-6-33a-c]

The method used by HOWOGE is an assessment of the information from the creditor system. No significant assumptions or limits are associated with the method.

4 Opportunities and risks

4.1 Opportunities

Identifying and communicating opportunities and areas of potential is an integral part of responsible corporate governance. The responses arising from the strategy and operating activities are the responsibility of the respective players. Regular consultations within and across divisions create the basis for identifying and communicating any areas of potential.

There is significant growth potential for HOWOGE when it comes to providing affordable housing for broad sections of the population based on the long-term maintenance and development of portfolio properties in a manner that caters to the needs of each specific neighborhood. The rise in interest rates since 2021 and lower property values are driving down prices and building pressure to sell on the real estate market. This could give rise to opportunities for the acquisition of housing stock. With its two ratings, A from Standard & Poor's and AA- from Fitch, each currently with a stable outlook, HOWOGE is one of the best rated real estate companies in Germany. The DIP and our access to the capital market afford us additional opportunities to finance future growth. As it steps up its new construction activities, HOWOGE has a major opportunity to actively shape sustainable urban development and design concepts and thus make a significant contribution to Berlin's future, reflecting the mandate from its shareholder. The experience gained from completed projects forms a sound basis for leveraging the identified potential in the future as well. Positive developments in the regulatory environment and in subsidy programs can improve the conditions for residential construction and the climate protection measures.

Besides new and demanding challenges, increasing digitalization and automation also offer considerable potential for the Company to enhance structures and procedures in a purposeful manner. In addition to an effective ERP system, long-term personnel development and the value-based compliance management system, which has now undergone recertification several times, are some of the key factors in this context. In order to ensure a fair and non-discriminatory letting process, the digitalization of the process is being continuously driven forward. Challenges arising from social changes are addressed by active neighborhood management. Coupled with digitalization, there is potential for boosting efficiency in central procurement.

There is cost-saving potential in the expansion of the value chain and the services offered by the Group. Increasing the level of facility management work performed in-house and digitalizing real estate management are aimed at increasing efficiency and customer satisfaction. Projects such as the provision of landlord-to-tenant electricity or the gradual assumption of measurement and metering services have already been launched in recent years.

4.2 Risks

4.2.1 Standard process for integrated management of corporate risks

The key elements of the internal control and risk management system in relation to the financial reporting process are described below. HOWOGE regularly assesses opportunities for boosting the further development and growth of the Group. Risks may have to be taken in order to capitalize on opportunities. This makes it essential to identify, assess and professionally manage all material risks. A group-wide structure for identifying, managing and controlling risks has been implemented in order to responsibly handle risks. The key components of this structure are the risk management system (RMS) and internal control system (ICS).

HOWOGE's general definition of risk is a potential negative deviation from defined corporate objectives, particularly one that poses a threat to economic success or the implementation of business plans, its good reputation or compliance with all relevant laws and agreements. This relates to all internal and external events, actions or omissions that pose a threat to the Company's success or existence as well as significant legal proceedings.

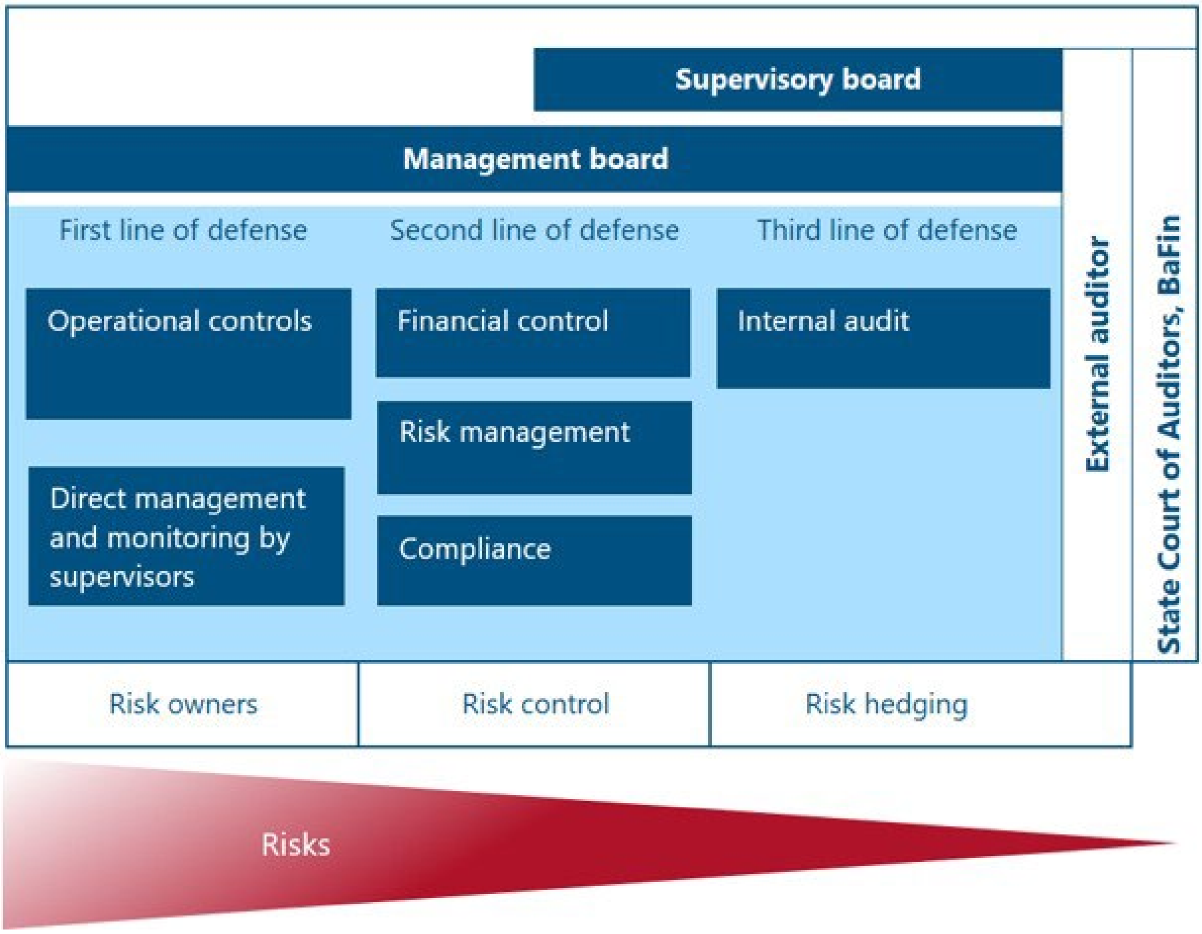
Internal control system/financial reporting process

An effective internal control system (ICS) is necessary to ensure the proper functioning of all significant business processes. As an integral component of the group-wide risk management process, the ICS's overarching objective is to reduce all significant operational and financial corporate risks to an acceptable level.

In keeping with the relevant legal provisions and standards customary in the industry, HOWOGE has set up an internal control system that comprises policies, procedures and activities to ensure process performance and financial reporting. In this context, the management board adopted an ICS group policy in 2022.

The three lines of defense model forms the framework for holistic Governance, Risk and Compliance management (GRC management) in relation to corporate risks at HOWOGE.

Overall, the HOWOGE model is based on an integrated approach that is illustrated in the following chart:



With respect to the financial reporting process, the purpose of the internal control system is to ensure the application of the statutory provisions and the correct and complete recording of all transactions. The processes are divided into value creation processes and financial reporting processes and the purpose of the ICS is to record, present, review and continuously update all recurring transactions correctly and completely in accordance with the statutory provisions.

The internal control system has the following objectives and tasks:

- Compliance with the legal rules and regulations relevant for HOWOGE
- Assurance of the appropriateness, completeness and reliability of internal accounting and external financial reporting
- Targeted monitoring of business processes
- Assurance of the effectiveness and efficiency of operations (primarily protecting assets and preventing and detecting misappropriation of assets)

The key features relating to the financial reporting process are as follows:

HOWOGE has a clear and transparent organizational, control and management structure that is documented on the intranet, in the group policy KR-12 Internal Control System and in other group policies. The tasks in the financial reporting process are clearly defined and assigned to explicit roles.

Segregation of functions, principle of dual control and self-review are the key control elements in the financial reporting process. Moreover, the internal audit function regularly performs analytical procedures on the financial reporting process.

- The financial reporting process is supported by standard SAP software and the digital accounting workflow.
- IT access rights reflecting the authorizations defined in the guidelines ensure system-based control.
- There is an integrated centralized accounting system and centralized financial controlling for the group companies.
- The standard group-wide recognition, account assignment and measurement policies are reviewed and updated regularly.

The subsidiary ATOZ is gradually being included in the financial reporting process as part of its integration into the Group.

Risk management

HOWOGE has implemented a group-wide risk management system (RMS), which comprises all measures required to ensure early identification, assessment and targeted management, monitoring and documentation of all risks relevant for the Group. It is an integral part of corporate management and ensures that the material going concern risks are covered.

A key element of the RMS is HOWOGE's risk strategy, which sets clear risk targets and defines the Company's risk culture. The risk strategy is aligned with the overall corporate strategy and is designed to secure the Company's ability to continue as a going concern as well as to sustainably increase business value. Business success requires opportunities to be seized and the related risks to be identified and assessed. The aim is to make the most of opportunities, while entering into business risks deliberately and responsibly and managing them proactively, provided that a reasonable increase in value can be achieved. Risks to the Company's ability to continue as a going concern must be avoided.

The GRC function is responsible for coordinating and monitoring the RMS, organizing its processes and for the methodologies. The organizational structure in place as well as regular consultation with the functional departments, internal audit and financial control and modeling enable a consistent, transparent, systematic and continuous approach, which thus creates the prerequisites for identifying, analyzing, evaluating, managing, documenting and communicating risks.

The existing RMS is subject to a continuous enhancement and optimization process so it can be adjusted in response to new internal and external developments.

The results of the semi-annual risk inventories are reported to the governing and supervisory bodies. Additionally, the management board and risk management regularly discuss the assessment and management of identified risks, making changes and taking action as necessary. Besides the semi-annual risk reports to the management board, risks with the potential to cause a net loss of EUR 2.5m or more must be reported immediately to the supervisory board and the shareholder. In addition, regular meetings are held between the head of Governance, Risk and Compliance and the chairman of the supervisory board and/or the chair of the audit committee to discuss risk-relevant matters.

All reports are based on the risk inventories, which are carried out according to a consistent, transparent, systematic and permanent approach and are founded on the following rating aspects and scales:

Rating aspect/scale

In a standardized process based on a standard risk catalog – comprising seven risk categories (organizational and process risks, HR and management risks, financial risks, legal and compliance risks, real estate risks, market and location risks, operational services risks) – the existing risks are jointly analyzed, reviewed and assessed by risk owners, risk management and compliance during annual risk workshops. In order to specify and prioritize risks, HOWOGE assesses and rates risks in terms of their gross impact as well as their net impact and likelihood, considering the description of existing risk mitigation measures. The effect on liquidity and economic viability for an analysis period of five years is a key benchmark for assessment and rating of the potential impact. The individual risk rating is always based on the respective change in liquidity and the budget approved by the supervisory board.

To assess the risks, HOWOGE uses the rating matrix with five rating categories for the loss that could be caused by potential risks. Risk likelihood has a four-category rating scale.

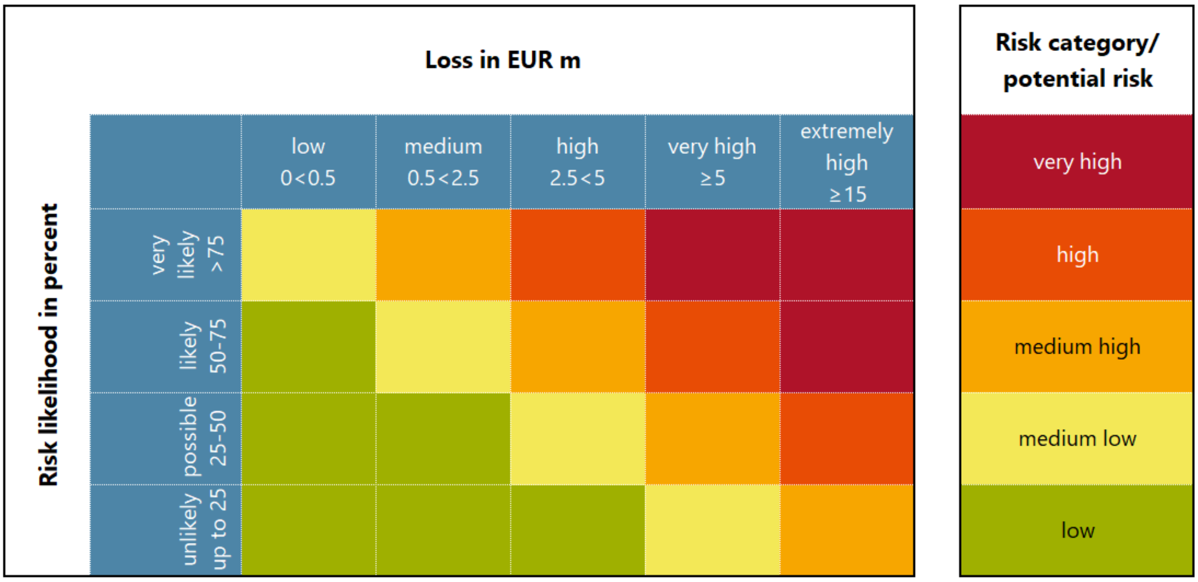
The categories, which express the impact on economic viability and liquidity, are defined as follows:

- Low: net impact between EUR 0m and EUR 0.5m
- Medium: net impact between EUR 0.5m and EUR 2.5m
- High: net impact between EUR 2.5m and EUR 5m
- Very high: net impact between EUR 5m and EUR 15m
- Extremely high: net impact of EUR 15m or more

Categories for risk likelihood are:

- Very likely: between 75% and 100%
- Likely: between 50% and 75%
- Possible: between 25% and 50%
- Unlikely: between 0% and 25%

This scale gives a rating matrix that classifies individual risk reports in a traffic light system (red, amber, green) according to their expected values (net impact by risk likelihood):



As a municipal housing company, HOWOGE has a low to medium risk appetite. High to very high risks should be avoided, with a risk-opportunity analysis performed in specific cases. Risks that exhibit a high to very high threat potential in the five-year period under analysis are regarded as especially relevant.

4.2.2 Risk reporting

Generally, the Company quantifies risks at group level. Risks are only quantified at entity level in specific cases. Of all the risks identified in the period under review, the particularly relevant risks for the Company and the Group and the corresponding management measures are addressed here. In this context, we first discuss the macroeconomic risks and significant standard risks that are reflected in HOWOGE's risk inventory and present their net impact and risk likelihood. Then we describe the significant risk events (singular risks).

Macroeconomic risks

The German real estate market is partly shaped by macroeconomic factors that are beyond HOWOGE's control. Developments in the domestic and global economy as well as in financial markets can thus become risk factors for HOWOGE's business model. Energy costs in Germany are still subject to great uncertainty and could continue to rise in the future, which could lead to higher construction costs. This is due to factors such as geopolitical tensions, rising commodity prices and an increasing dependence on energy imports. In addition, the sharp price increases of the last 24 months have eroded the purchasing power of private households, even though inflation rates are now falling again and real wages are on the rise.

The interest rate hikes since December 2021 in particular are a burden for capital-intensive companies and are therefore weighing on the profitability of investments in residential construction. Even though interest rates fell in 2024, there is still a risk of rising costs and volatility in conditions.

Standard risks

The standard risk catalog contains group-wide potential risks in the seven risk categories of organizational and process risks, HR and management risks, financial risks, legal and compliance risks, real estate risks, market and location risks and operational services risks.

Organization and processes

Advancing digitalization is expected to lead to opportunities that outweigh the risks with respect to the employment and income situation of tenants in the long term. Digitalization also offers opportunities for the HOWOGE business model relating to efficiency improvements.

Cyber risks

(Risk likelihood: likely, loss: very high)

An outage in the IT systems used by the HOWOGE Group would result in significant disruptions to our regular business operations due to the advanced level of digitalization. The Russian war in Ukraine and other geopolitical tensions are amplifying the risk of cyber attacks by state-sponsored actors. Unauthorized access to confidential or personal data or the encryption of business data by ransomware could cause serious damage. HOWOGE has taken a large number of technical and organizational measures to reduce cyber risk.

The risk is addressed by full-service outsourcing of IT operations to an ISO 27001-certified service provider and outsourcing of the data center operation. Through regular consultations with the internal information security officer, the Group ensures that vulnerabilities are identified early and countermeasures taken. In addition, penetration tests are performed on an annual basis to identify vulnerabilities.

Project risks

(Risk likelihood: possible, loss: high)

HOWOGE has an extensive project portfolio. Risks can threaten projects from various angles. Deadlines, costs, resources and poor communication in particular can jeopardize the success of a project, leading to unscheduled delays or cost overruns. The processes and digitalization unit was expanded further to reduce risks and coordinate business projects. Multi-project managers support project owners from project kick-off to project completion. A central requirements management and project management office documents and prioritizes the projects from a group perspective. The office also provides support from external resources if needed to ensure the success of the project.

Personnel and management

The rising demand for skilled personnel driven by digitalization and new technologies and aggravated by demographic change, and the related change in age distribution, that is, a shift in the age structure leading to a larger number of older and fewer younger people, will result in an increasing shortage of skilled labor in the future.

Staff shortage/exit risk

(Risk likelihood: unlikely, loss: low)

Hiring and filling specialist roles in the Company will continue to be one of the key challenges in the years ahead. The potential risk includes the loss of longstanding employees. The risk posed by demographic change has grown in the past few years. In addition to losing employees to regular retirement, early retirement also poses a challenge when it comes to ensuring that knowledge is passed on and finding suitable candidates for the positions. We constantly refine our detailed personnel and succession plan to reduce risks. Additionally, the existing personnel development plan for structured development of executives and talent management has been put on a more professional footing. The Company has enhanced its existing onboarding process aimed at promoting good integration into the organization and preventing new hires from quitting during their probation period. "Demographics" has been added as another priority of personnel strategy in addition to the abovementioned aspects. An age structure report is prepared and constantly updated for monitoring purposes and used to identify HR policy measures.

Positioning HOWOGE as an attractive employer is a key factor in securing our ability to recruit suitable personnel in a highly competitive labor market. To this end, a comprehensive employer branding campaign has been launched and is being continuously enhanced. In order to keep qualified employees and executives motivated and retain them long term, HOWOGE offers a modern, pleasant and family-friendly working environment, an attractive remuneration package and the opportunity for personal development. Initiatives to promote team spirit outside of day-to-day operations also play an important role at HOWOGE.

To improve employee retention, regular employee surveys are held to assess employee satisfaction and to identify and exploit potential for improvement. The Company also scans the market to compare its benefit package and gauge its attractiveness from an outside perspective.

Finance

Balanced, sustainable and secure financing as well as constant access to low-interest funding are key drivers of HOWOGE's business performance and the achievement of its objectives. As a provider of affordable housing, it depends heavily on access to subsidies to ensure it reaches its new construction targets.

Interest rate risks

(Risk likelihood: unlikely, loss: extremely high)

Interest rate risk for loans granted in the past and their fixed-interest periods which will end in the future is reflected under financial risks, since the new interest rates to be arranged are subject to market conditions at the time. The Company uses scenario analyses to determine the effects of a change in the interest rate climate on its performance and viability and has developed courses of action. The risk is addressed by using the adjusted interest rates in the long-term corporate budget. To minimize the risk, in the past loan agreements generally had long terms of ten to 20 years. Due to the current market situation and the significant rise in the yield curve, loan agreements with shorter terms (less than ten years) are now being concluded again. Furthermore, banks have become more reluctant to commit to long-term fixed interest rates (greater than ten years). Interest rate risks are controlled by staggering the dates on which fixed-interest periods end. The same approach is applied to mitigating interest rate risks from the corporate bonds issued. In addition to continuously tracking the term structure of interest rates, HOWOGE monitors and assesses risks over the horizon of the long-term business plan so as to identify potential interest rate fluctuations and deviations promptly. It also includes appropriate risk buffers in the corporate planning. The corporate bond with a nominal amount of EUR 500m that fell due for refinancing in the fourth quarter of 2024 was fully refinanced by loans secured by land charges with terms of between five and 12 years.

Refinancing risks

(Risk likelihood: unlikely, loss: extremely high)

In order to minimize potential refinancing risks, HOWOGE pursues a diversified financing strategy and can make use of various financial instruments. HOWOGE enters into financing talks with lenders well before large financing tranches fall due and examines financing alternatives. Monthly reporting to the management board on current loan agreements has also been established for this purpose. Regular discussions also take place with banks and lenders. HOWOGE also has two external ratings, which are updated by the rating agencies at least once a year and improve access to financing.

Liquidity risks

(Risk likelihood: unlikely, loss: low)

The Group’s solvency at all times is ensured through liquidity planning and is continuously monitored. In the past fiscal year, HOWOGE had sufficient cash and cash equivalents to meet all obligations at all times. Due to the very stable cash flows from real estate management, no circumstances have been identified at present that could lead to a liquidity shortfall. In order to ensure solvency at all times, sufficient liquidity reserves and credit facilities are maintained.

Covenant breaches

(Risk likelihood: unlikely, loss: extremely high)

Failure to comply with contractually agreed financial covenants may result in the risk of extraordinary termination of financing agreements. A breach of the terms of financing contracts may also lead to higher interest payments, unscheduled repayments and/or the realization of collateral or the demand for additional collateral.

The covenants of the corporate bonds issued are all profit-related and are therefore relatively weak. They are only tested – and documented accordingly – when new borrowings are arranged. Should HOWOGE fail to meet only one of the covenants at a reporting date (e.g., at year-end), this would not be a covenant breach within the meaning of the debt issuance documentation.

An internal control process has been implemented to ensure compliance with the financial covenants. The key indicators agreed in the financing agreements and in the debt issuance program were adhered to at all times in the past fiscal year. There are no indications that the financial covenants will not be complied with in the future.

Debt risk/rating downgrade

(Risk likelihood: possible, loss: very high)

The leverage ratio has a significant impact on the assessment of HOWOGE's economic situation and thus on its access to the financing market. The increasing level of debt poses the risk of a deterioration in rating-relevant indicators over the medium term. The assessments and ratings issued by analysts, banks and S&P (A) and Fitch (AA-) are testimony to the HOWOGE Group's strong market position with regard to its leverage ratio. These credit ratings are therefore not expected to deteriorate.

Tax risks

(Risk likelihood: possible, loss: high)

Changes in tax legislation or non-compliance could lead to a high tax burden, liability issues and fines. Risks resulting from tax audits could reach a relevant level. External tax advisors are consulted for advice on tax issues.

Legal and compliance

General legal risks and the disadvantages to HOWOGE resulting from the materialization of such risks could arise in particular if legal requirements are not complied with (fully). Additionally, risks can arise if new laws or ordinances are issued or existing laws or ordinances are amended or their interpretation changes. Subject-specific changes/developments in legislation must be monitored by the relevant department and reported if necessary.

Changes in legislation, industry-specific provisions or regulatory frameworks

(Risk likelihood: likely, loss: extremely high)

A political framework is emerging that reflects the tension between climate policy requirements and the provision of socially affordable housing. The challenges posed by climate-related and other sustainability regulations remain complex and developments are fast moving. In line with the State of Berlin's climate target, HOWOGE has undertaken to make its housing portfolio climate-neutral by 2045. HOWOGE has identified three levers for achieving a climate-neutral portfolio, including the important lever of making district heating greener. Failure to do so will make it difficult to achieve a climate-neutral portfolio. Alternative action to achieve climate neutrality without greening district heating could require significant investment. With its sustainability reporting for fiscal year 2024, HOWOGE remains subject to the Non-Financial Reporting Directive, but applies the European Sustainability Reporting Standards (ESRS) of the Corporate Sustainability Reporting Directive (CSRD). Under the CSRD/ESRS, reporting standards will become much more comprehensive and at the same time more granular, and the methodological requirements for fulfilling the reporting obligation will also become more detailed. The act to implement the

CSRD into German law is still pending and it is not possible to predict how political developments will unfold.

Conventional areas of law and general changes in legislation are monitored by the legal department. If the changes are extensive, training activities are launched and the departments in question are invited to attend workshops. Specialist journals (legal) and press releases are considered on an ongoing basis.

Corruption, bribery, conflicts of interest

(Risk likelihood: possible, loss: medium)

Fraud is a risk particularly where HOWOGE employees have business, contractual or personal relationships with external individuals. Unlawful behavior by potential tenants can occur when letting apartments. Likewise, markets in which there is a housing shortage are particularly prone to improper practices when letting apartments. These risks are counteracted by organizational measures, including using standardized rental agreements, setting target rents and informing prospective tenants that commissions are not charged for HOWOGE apartments. Those responsible for compliance help to boost awareness of risk and compliance issues across the Company through regular training outside the box as well as extensive advisory and education efforts.

Education and training activities in the field of compliance as well as the involvement of the contract awards unit in public tenders reduce potential risks from conflicts of interest relating to the award of contracts or employees engaging in (unreported) sideline activities, private and business contacts that are not kept separate or unauthorized use or misuse of company property. Moreover, there is a binding code of conduct for all HOWOGE employees and a code of conduct that all business partners must adhere to. As an additional organizational measure, there is a clear segregation between the award of contracts and the invoice verification process.

Breach of regular and certain ad hoc disclosure obligations

(Risk likelihood: unlikely, loss: very high)

Failure by publicly traded companies to publish annual financial statements and other accounting documents on time may result in fines. Accordingly, suitable processes, including timetables for the (IFRS) financial statement close process, have been implemented. The IFRS financial statements are prepared with the assistance of an external audit firm.

Breach of the insider trading ban

(Risk likelihood: possible, loss: very high)

The statutory rules on insider dealing (Market Abuse Regulation) must be complied with by all of HOWOGE’s employees and governing bodies. If breached, those affected would be held personally liable and HOWOGE would sustain damage to its reputation; in addition, there is a significant risk of fines being imposed on HOWOGE. This can lead to a relevant risk for HOWOGE.

Information about the HOWOGE Group is regularly analyzed for its significance for the HOWOGE Group and, if the legal requirements are met, it is occasionally categorized as inside information as a precaution. Any actual inside information is only communicated to a defined group of people whose members are expressly informed of its confidentiality.

In addition, legally prescribed insider directories are kept and the persons listed therein receive a special briefing, as do as any persons who are likely to come into contact with inside information as soon as it is available.

Real estate

Valuation risk

(Risk likelihood: possible, loss: extremely high)

Valuation risk captures potential impairment of the real estate portfolio or individual properties due to market developments. This includes land held in inventories until completion of the planning phase of new-build projects. The risk is unchanged compared to the prior year. Cyclical market fluctuations are not unusual in real estate valuations. For HOWOGE as a property holder, the long-term development of values is relevant; this offers potential due to the excess demand. The regular fair value measurement of the real estate portfolio is performed by a reputable independent property service provider.

HOWOGE constantly monitors the real estate and capital markets to assess and harness the short, medium and long-term opportunities and risks arising from the cycle.

Climate change

(Risk likelihood: unlikely, loss: low)

The impact of climate change can now be felt throughout Germany. We will have to get used to the idea that extreme weather events will occur more frequently in the future. Changes in the form of milder and wetter winters as well as hotter and drier summers can already be observed. Due to climatic changes, there is a risk of extreme weather conditions such as torrential rain, drought, heat and ultra violet radiation increasing the risk of accidents and impacting the health of workers at construction sites, leading to disruptions in construction work for occupational health and safety reasons. Construction costs and costs incurred to maintain or ensure the resilience of new buildings could rise. HOWOGE has carried out a location-specific climate risk analysis (climate vulnerability assessment). Potential climate risks were analyzed for our buildings with the aid of scientific data. We have already introduced various measures to counteract these risks and equip our buildings to withstand the already tangible effects of climate change. To mitigate the effects of torrential rain, we are installing water retention roofs, planning retention areas and turning to alternatives to large basement areas, which act as a barrier to ground water. We promote rain water drainage through measures including the integration of seepage basins in the design of outdoor grounds and facilities. We counter the effects of heat by using light-colored facades, sealing as little space as possible and greening open spaces where possible.

Market and location

Construction cost risks

(Risk likelihood: unlikely, loss: extremely high)

Being involved in the construction of new buildings and having to meet the shareholder's targets poses challenges once again this fiscal year in the form of constantly rising construction costs and the often limited availability of construction services. Although the risk has stabilized in the fiscal year, the ongoing conflict in Ukraine and the resulting energy crisis continue to dominate the market situation. This has had a direct impact on HOWOGE's future construction projects. The massive rise in construction prices increases the risk that building projects will become unviable and consequently be postponed or stopped altogether.

Maintenance work also harbors cost risks due to the increase in material and energy prices. In order to limit investment and construction risks, HOWOGE relies on stringent investment and project controlling, securing planning and building rights and permits early and on achieving better price and resource security by putting construction services out to tender at an early stage of the process.

Risk of contractor insolvency or non-performance/poor performance

(Risk likelihood: possible, loss: very high)

The Company faces the general risk of inadequate performance or non-performance, especially of contractually owed construction services. This may give rise to cost increases due to new tenders, delays in completion and late rental income.

Vacancy and property profitability

(Risk likelihood: unlikely, loss: low)

The Group's regional focus on Berlin may represent a cluster risk. Unfavorable economic, demographic and political developments in Berlin and the surrounding regions could have a negative impact on the Group's business activities, financial position, cash flows and operating profit.

In light of the consistently high demand for affordable housing in Berlin, vacancy and profitability risks continue to be low for the locations HOWOGE operates in. Investment decisions are made with interdisciplinary consultation and on the basis of comprehensive analyses of the market, rents, costs, housing needs and target groups. For major investments, the investment recommendation is documented in a management decision document. All structural investments are evaluated during the planning process by passing through regular quality gates and during implementation in a "neighborhood controlling round." Budget adherence defines the upper limit of an investment.

Price trends

(Risk likelihood: unlikely, loss: high)

Risks resulting from an unexpectedly sharp increase in market prices, such as higher purchase prices for old-build properties. Price increases can also inhibit growth (due to lack of availability) or lead to budget overruns.

Like other sectors, the real estate sector is subject to a long cycle dictated by the long-term nature of investments. The dynamic price trends of previous years cannot be unconditionally extrapolated into the future. HOWOGE constantly monitors the real estate and capital markets to assess and harness the short, medium and long-term opportunities and risks arising from the cycle.

Transaction risks

(Risk likelihood: unlikely, loss: medium)

Purchases are made in a structured purchase process. Internal and external experts are involved in the surveys and checks to ensure reliable assessments of the quality of the housing stock. This approach also facilitates the development of measures to optimize the portfolio and the achievable rents. These checks also ensure that the necessary personnel resources and financing opportunities are determined.

Apart from misjudgments occurring in the purchase process, there is a risk of information or knowledge of defects only becoming apparent after the purchase has been closed. This entails a risk that such information could have a negative impact on economic assumptions and thus affect the valuation of the portfolio and/or its profitability. In addition, there is a chance that the purchased housing stock will outperform expectations as to rents, quality and letting rates thanks to HOWOGE's extensive housing estate and rent management activities.

Operating performance

Loss of rent

(Risk likelihood: possible, loss: high)

As a housing company, HOWOGE is exposed to a risk of loss of rent. Precautions to minimize this risk are taken by running standardized credit checks on all new tenants and by identifying problematic tenancies.

Appropriate countermeasures are taken in response. The probability of default has increased particularly in the wake of the energy crisis and the related rise in operating costs. It can be assumed that, despite a drop in inflation and energy costs, tenants' ability to pay will continue to be impaired, especially considering that wage and salary increases will not be able to keep pace with inflation.

The development of rent arrears is closely monitored in a monthly reporting process.

Neighborhood stability

(Risk likelihood: possible, loss: medium)

The growing imbalance in the social make-up of HOWOGE residents towards socially disadvantaged groups, often with diverse cultural backgrounds, can lead to cost risks for preventive measures and to reputational risks. Financial and personnel costs are incurred in the housing estates to manage vandalism, tensions among tenants and lower customer satisfaction.

In order to stabilize the situation, community development activities are carried out in the affected housing estates on a case-by-case basis. In addition to the three customer centers with their local contact points, in the area of operational portfolio management the social management department is tasked with helping households in need of assistance in order to avoid payment defaults and neighborhood conflicts. As part of its community management activities, HOWOGE provides financial support to associations and social institutions as they have a stabilizing effect on the housing estates. Training for HOWOGE employees on the ground, including on the subject of conflict management, is in place. A social scoring model to aid the needs-based distribution of funds has been established and is being expanded further.

In this respect, there is close collaboration with the "new-builds in neighborhoods" department, which is responsible for the preparation, management and in-project development of new residential construction projects in HOWOGE's large existing housing estates and complements new construction activities in terms of urban planning and social aspects. The aim is to integrate the new construction projects in the existing housing stock as seamlessly as possible and to create added value for the surrounding area – and for HOWOGE. Based on the needs in the housing estates, offers in the community and amenities to serve new-builds should be considered and developed. HOWOGE thus grasps the opportunity to further develop its housing estates and thereby make them attractive places for tenants with functioning neighborhoods.

Reputational risk (School Building campaign)

(Risk likelihood: possible, loss: medium)

Poor execution or lengthy delays in school development projects could damage HOWOGE's reputation and cause distraction from the implementation of other projects and/or its strategy or lead to delays. In this context, the consequences of these risks, if they occur, could be exacerbated by the fact that school construction projects are also subject to close public scrutiny. Against this background, a communication strategy has been developed in consultation with the supervisory board and Senate and is regularly updated.

Due to the agreements in place with the State of Berlin, there are currently no risks in this segment that could have an impact on HOWOGE's financial position, financial performance or liquidity.

Risk events (singular risks)

Reversion of local public infrastructure obligations

(Risk likelihood: possible, loss: very high (approximately EUR 6m))

One legal risk is associated with an earlier sale of land in Falkenberg and the related urban development obligation to create local public infrastructure, the costs of which will revert to HOWOGE if the current owner becomes insolvent.

Three singular risks no longer needed to be reported in the fiscal year:

Cost and litigation risks from the planned amendment of the GefStoffV

On 13 November 2024, the German Federal Cabinet adopted an amendment to the GefStoffV ["Gefahrstoffverordnung": German Hazardous Substances Ordinance]. An originally planned general presumption that asbestos is present in all buildings completed up to 1993 and the introduction of extensive obligations for building owners to investigate were not adopted. The risk is thus no longer reported.

Allocability of property tax

The risk is now no longer reported due to the lack of initiatives to abolish the allocability of property tax.

Project-specific singular risk

A project-specific singular risk ceased to be reported after the Higher Administrative Court of Berlin-Brandenburg dismissed the claim of the remaining plaintiff without recourse to appeal.

4.2.3 Overall assessment

In fiscal year 2024, there were no relevant risks that, either individually or in the aggregate, posed a threat to the continued existence of the HOWOGE Group. The Company's internal capital was adequate at all times. Given their expected value, the singular risks do not currently pose a going concern threat to the HOWOGE Group. At the time of reporting, the management board does not see any risks endangering the Company's continued existence for fiscal years 2025 and 2026. Overall, opportunities and risks are considered to be balanced.

5 Outlook

5.1 Comparison of the forecast with the 2024 business figures

Overall, HOWOGE had a very successful fiscal year 2024 despite the difficult market environment and largely achieved its targets.

As of 31 December 2024, the housing portfolio was slightly lower – at 77,113 residential units – than the forecast figure of 77,300. The vacancy rate and tenant turnover rate were in line with expectations at 1.5% and 4.1%, respectively. The average rent for the housing portfolio was EUR 6.69/sqm (forecast for 2024: EUR 6.65/sqm) and the WBS reletting rate was 64.6%, higher than the target of at least 63%. The deviations from the forecast are within the scope of normal fluctuations; no significant deviations from the plan were identified. In 2024, the start of construction work covered more residential units (around 500) than the forecast of around 300 residential units. In the reporting year, a total of 667 new residential units were completed, falling short of the forecast 1,000 residential units. This was due to postponements to the following year.

In the Residential segment, HOWOGE's actual rent came to EUR 401m in fiscal year 2024, which is on a par with the forecast amount of around EUR 400m. The interest coverage ratio in relation to gross interest expenses stood at 5.0x at the end of the year (forecast 2024: 5.0x). The interest coverage ratio in relation to net interest expenses amounted to 7.3x. This was attributable to an improvement in adjusted EBITDA and higher interest income due to the postponement of construction projects and the resulting increase in liquidity.

For the School Construction segment, the Company expected to raise additional external financing of around EUR 400m. Due to delays, only EUR 327m in external financing was raised for school construction in the reporting year. At EUR 229m, the investment volume in the School Construction segment in 2024 remained below the forecast of around EUR 320m. At EUR -2.3m, the FFO contribution for the School Construction segment was above the forecast of EUR -5m to EUR -10m. The forecast was exceeded because of lower interest expenses due to lower external financing.

In the reporting year, the Group generated adjusted EBITDA of EUR 277m (forecast for 2024: EUR 240m to EUR 260m) and FFO of EUR 206m (forecast for 2024: EUR 180m to EUR 200m). Both metrics were therefore above the forecast range. The forecast was mainly exceeded due to lower than planned expenditure on maintenance and the postponement of maintenance work as well as lower administrative expenses. The profit for the period of EUR 140m was well above the original forecast of a loss for the period of EUR 160m. Alongside the effects outlined above, the deviation is mainly attributable to the profit or loss from the remeasurement of investment property, which cannot be reliably forecast.

As of 31 December 2024, HOWOGE's LTV ratio for the Residential segment was at 28.7% and consequently lower than the forecast of 32% and well below the maximum of 50%. This was due to slightly improved property values and lower net indebtedness.

5.2 Forecast for fiscal year 2025

Our forecast for fiscal year 2025 is based on the corporate budget prepared for the HOWOGE Group taking into account the current business development, significant macroeconomic factors and the Group's strategy. The budget was drawn up in accordance with the financial reporting framework applied in the consolidated financial statements.

For 2025, we expect the market to remain stable in terms of interest rates and inflation, with uncertainty remaining high. The effects will depend on the pace of events; at the present time it is impossible to estimate their consequences, but they are being continuously evaluated to aid a swift response. If necessary, countermeasures will be taken and the forecast will be revised. We expect property values to remain constant in 2025. The vacancy rate is expected to remain constant at a low level.

The Group is expected to report total comprehensive income in the region of EUR 70m for 2025. In the volatile market environment, the real estate valuation forecast for the purposes of profit or loss for the period is associated with a high degree of uncertainty. The main reasons for the decrease compared to 2024 are higher interest expenses and maintenance that has been postponed to the following year. We forecast adjusted EBITDA of EUR 280m to EUR 300m for fiscal year 2025.

Based on FFO of EUR 206m in 2024, we expect a figure in the region of EUR 180m to EUR 200m in 2025. The main reasons for the unchanged FFO range are maintenance work deferred from 2024 to 2025 and higher interest expenses. Due to rising interest expenses, the interest coverage ratio for the Residential segment is forecast to fall to 3x.

The forecast FFO of EUR 180m to EUR 200m at group level in 2025 includes a planned EUR 46m increase in actual rent in the Residential segment in 2025 to around EUR 450m compared to 2024. On the basis of the acquisition of PRIMA with 4,492 apartments and the planned additions from new-builds, we expect to own a housing stock of around 82,700 apartments as of 31 December 2025. We forecast the net rent (excluding heating and utilities) for residential units to increase on average for the year from EUR 6.69/sqm to EUR 6.99/sqm, as a result of planned additions of purchased apartments and new-builds along with moderate increases in rents for existing tenants. These will be based on the provisions of the cooperation agreement. We expect letting-related vacancy rates to be at the level of 2024. With regard to new lets and reletting, we have budgeted for a WBS reletting rate of at least 63% and a tenant turnover rate of around 5%. We therefore expect both figures to be at the prior-year level. By the end of 2025, we expect to see a vacancy rate of 1.6%, which will partly be attributable to the first-time letting of completed new-build apartments. In 2025, we plan to start construction of around 500 apartments and complete around 900 apartments from new-build projects.

HOWOGE anticipates a net LTV ratio of 35% for fiscal year 2025.

In the School Construction segment, we expect FFO in the range of EUR 5m to EUR 10m due to upfront costs. Total investments of around EUR 350m are expected for 2025.

Actual developments may also differ materially from expectations about the anticipated development if the assumptions underlying the statements should prove to be incorrect.

Berlin, 25 March 2025

HOWOGE Wohnungsbaugesellschaft mit beschränkter Haftung

The Management Board

Greis

Katharina Greis

Ulrich Schiller

Appendix:

Statement on Berlin Corporate Governance Codex

HOWOGE Wohnungsbaugesellschaft mbH (HOWOGE) is subject to the German Corporate Governance Code (DCGC) in the version issued from time to time by the unit responsible for the management of holdings of the State of Berlin.

We issue the following declaration on the basis of the recommendations of the Government Commission on the German Corporate Governance Code as amended on 28 April 2022 with due consideration to the guidelines for holdings issued by the Berlin Senate Department for Finance on 15 December 2015.

Cooperation between the management board and the supervisory board

The management board and the supervisory board worked together in a close and trusting relationship. The management board disclosed all business matters. Persons not belonging to either the supervisory board or the management board were required to sign a confidentiality agreement before participating in the meetings.

The supervisory board generally held meetings attended by the management board.

The management board consulted with the supervisory board on its strategic corporate planning and regularly reported on the progress of implementation.

The management board submitted all business of fundamental importance to the supervisory board for its approval where the provisions of the articles of association and management board's rules of procedure required it to do so. The supervisory board adopted new rules of procedure on 25 June 2024. On 24 September 2024, the supervisory board issued new rules of procedure for the management board.

The management board met its obligation to report as regularly as required and provide the required documents. The documents for meetings and other decision-making appointments were submitted sufficiently in advance pursuant to Art. 10 (3) of the articles of association.

Plan and actual results were compared for ongoing transactions, deviations from plan were presented in a plausible and transparent manner and any necessary remedial action was recommended in an implementable form.

The management board and the supervisory board met their obligations with due regard to the rules of good corporate governance. They exercised the due diligence of fit and proper members of management and supervisory boards.

The D&O insurance policies were maintained, with different deductibles for the members of the management board and the supervisory board.

Management board

The management board acted solely in the interests of the Company and its business purpose as well as in the interests of achieving a sustainable increase in business value. The Company did not engage in any disadvantageous activities. The management board ensured that the legal provisions and internal policies were observed. The Company has a Governance, Risk and Compliance function.

Responsibilities and cooperation within the management board are outlined in rules of procedure for the management board and a schedule of responsibilities.

Management board remuneration features fixed and variable components. The variable component is paid out according to the achievement of target agreements defined each year. The responsibilities and performance of each management board member, the current and expected economic situation of the Company as well as industry and segment comparisons were properly reflected in setting remuneration. The supervisory board discussed and adopted the remuneration.

Remuneration is disclosed for each member in the notes to the financial statements by type of remuneration. It shall be reviewed regularly.

Supervisory board

The supervisory board fully performed its duties in accordance with the articles of association and its rules of procedure. The supervisory board was involved in decisions of fundamental importance for the Company and did not consider any supplementary regulations necessary. It did not make any other transactions contingent on its approval. The frequency of meetings and the allotted time were commensurate with the Company's requirements. The supervisory board and personnel committee adopted the employment and remuneration policy. The supervisory board did not define a maximum age for management board members.

The chairman of the supervisory board and the management board kept in regular contact and liaised on corporate strategy, business performance and risk management.

The management board reported to the chairman of the supervisory board about significant events as and when they occurred.

The supervisory board has the following committees:

- Audit committee (AC)
- Personnel committee (PC)
- Building committee (BC)

The supervisory board held four regular and one extraordinary meeting.

The audit committee held two regular meetings.

The personnel committee held two regular meetings.

The building committee held four regular meetings.

No resolutions were passed by circulation outside of supervisory board meetings.

No former member of the management board is a member of the supervisory board.

Questions relating to property valuation were largely addressed in the meetings of the audit committee and the building committee.

The chairpersons of the committees reported to the supervisory board on the subject and outcome of committee discussions.

In fiscal year 2024, Ms. Elfriede Baumann was a member of the following other supervisory boards and management boards:

- Wiener Stadtwerke GmbH
- ÖBB Holding AG
- Rail Cargo Austria AG
- Chair of the TU Wien Foundation
- ÖBB Personenverkehr AG, Vienna (since October 2024)

In fiscal year 2024, State Secretary Tanja Mildenberger was a member of the following other supervisory boards:

- Berliner Bäder-Betriebe AöR
- BBB Infrastruktur Verwaltung GmbH
- degewo AG

In fiscal year 2024, State Secretary Alexander Slotty was a member of the following other supervisory boards:

- degewo AG
- Berlinovo Immobiliengesellschaft mbH
- Liegenschaftsfonds Berlin GmbH & Co. KG (Lifo)
- Sondervermögen für Daseinsvorsorge- und nicht betriebsnotwendige Bestandsgrundstücke des Landes Berlin (SODA)

In fiscal year 2024, Mr. Sebastian Lange was the managing director of the following company:

- Deutsche Bahn Stiftung gGmbH

The following members of the supervisory board did not perform any other supervisory board, managing director or management board functions in fiscal year 2024:

- Mr. Hendrik Jellema
- Ms. Daniela Riedel
- Mr. Jörn Lorenz
- Mr. Michael Schiller
- Mr. Frank Sparmann

The remuneration of the supervisory board members comprises a fixed amount as determined by the shareholder resolution of 25 October 2019, which is disclosed for each member in the notes to the financial statements and in the consolidated financial statements.

The supervisory board submitted the annual target agreement it intended to conclude with the management board to the shareholder for assessment.

Conflicts of interest

The management board complied with the non-compete provisions. The general managers neither demanded nor accepted benefits or unjustifiably granted any such benefits to third parties. The management board is not aware of any cases of improper acceptance of benefits among the Company's employees.

The management board and the supervisory board safeguarded the Company's interests only and did not pursue any personal interests.

The general managers participated in various committees in the course of their duties and in consultation with the chairman of the supervisory board:

Ms. Katharina Greis held the following other functions in fiscal year 2024:

- Member of the association committee of BBW Verband Berlin-Brandenburgischer Wohnungswirtschaft e.V.
- Member of Arbeitsgemeinschaft Grosser Wohnungsunternehmen e. V. in the business administration working group
- Member of the members' meeting of Initiative Wohnen 2050
- Member of Zentraler Immobilien Ausschuss e.V. in the financing and human resources working groups

Mr. Ulrich Schiller held the following other functions in fiscal year 2024:

- GdW conference delegate
- Member of the advisory board of Smart Living & Health Center e. V.
- Member of the advisory board of Techem GmbH
- Member of Zentraler Immobilien Ausschuss e. V. and the following working groups: construction, residential real estate portfolio holders, residential real estate, housing industry entrepreneurs' forum as well as the members' meeting
- Member of the board of trustees of Stiftung Stadtkultur
- Member of the association committee and technical committee of BBU Verband Berlin-Brandenburgischer Wohnungsunternehmen e. V.

No transactions with the Company concluded by members of the management board or related parties were submitted to the supervisory board for approval. Consequently, the supervisory board did not make use of the exemption for transactions with the Company.

No supervisory board members submitted any consulting or service contracts or contracts for work and services or other contracts with the Company to the supervisory board for approval.

The supervisory board did not issue any rules of procedure for specific transactions with the Company in the fiscal year. No loans were granted to members of the management board or of the supervisory board or to any relatives of board members.

Transparency

No facts came to light relating to the Company's area of activities with material implications for its assets, liabilities and financial position or its general business development.

Corporate information is also published on the Company's website (unternehmen.howoge.de).

Financial reporting

The annual financial statements for fiscal year 2024 and the interim reports have been prepared in accordance with the recognized accounting policies in accordance with the HGB ["Handelsgesetzbuch": German Commercial Code] and will be presented to the shareholder within the defined period (audited annual financial statements within 90 days after the end of the fiscal year, interim reports (quarterly reports) 45 days after the end of the reporting period). HOWOGE Wohnungsbaugesellschaft mbH prepares its separate financial statements in accordance with the HGB and its consolidated financial statements in accordance with IFRSs and also prepares HGB consolidated financial statements on a voluntary basis.

The measurement policies are presented and are reasonable.

The interim reports were discussed by the supervisory board and in the audit committee with the management board. The measurement policies are presented and are reasonable. The annual financial statements and interim financial statements contain a list of the Company's investees.

Audit of the financial statements

The supervisory board received a statement by the external auditors that there were no professional, financial or other obligations in relation to the Company, its board members or to the audit firm's boards. There were no reasons to doubt the independence of the audit firm, its boards or its lead auditors. The external auditors were requested to inform the chairman of the supervisory board immediately of any grounds for bias. The external auditor did not present any such grounds for bias.

The supervisory board issued the audit engagement to the external auditors. The fees are based on the outcome of a request for proposal issued in fiscal year 2022. Having adopted a commensurate resolution, the audit committee engaged the auditor to provide non-audit services.

The auditors will participate in the financial statement discussions of the supervisory board and of the audit committee and report on significant results of the audit.

Berlin, 25 March 2025

HOWOGE Wohnungsbaugesellschaft mit beschränkter Haftung

Hendrik Jellema	Katharina Greis	Ulrich Schiller
Chairman of the Supervisory Board	General Manager	General Manager

HOWOGE Wohnungsbaugesellschaft mit beschränkter Haftung, Berlin

II. Consolidated financial statements for the fiscal year from 1 January to 31 December 2024

Contents

Consolidated statement of financial position

as of 31 December 2024

Asstes in EUR k	Note	31. Dec 2024	31. Dec 2023
Non-current assets			
Intangible assets	8.6	7.148	1.235
Investment property	8.1	12.616.945	12.325.089
Prepayments on investment property	8.2	69.093	96.497
Property, plant and equipment	8.3	80.571	76.751
Investments in joint ventures	8.11	15.471	19.270
Financial assets	8.7	2.019	97.053
Rental and lease receivables	8.15	160.402	35
Total non-current assets	**-**	**12.951.650**	**12.615.929**
Current assets			
Inventories for school construction projects	8.13	365.773	283.913
Rental and lease receivables	8.15	48.562	40.022
Receivables from other trade	8.7	2.754	474
Contract assets	7.1	4.712	9.054
Other financial assets	8.7	6.232	4.985
Other assets	8.12	61.344	57.102
Income tax receivables	-	904	2.961
Cash on hand and bank balances	8.17	645.198	273.650
Assets held for sale	8.14	23.493	33.936
Total current assets	**-**	**1.158.973**	**706.097**
Total assets	-	**14.110.622**	**13.322.027**

as of 31 December 2024

Equity and liabilities in EUR k	Note	31. Dec 2024	31. Dec 2023 after adjustment[1)]	1. Jan 2023 after adjustment[1)]
Equity				
Subscribed capital	-	25.000	25.000	25.000
Capital reserves	-	332.887	320.937	317.901
Accumulated retained earnings	-	6.960.997	7.695.953	7.693.957
Consolidated accumulated loss/net retained profit	-	140.097	-734.783	-794
Total equity	**8.18**	**7.458.982**	**7.307.108**	**8.036.064**
Non-current liabilities				
Provisions	8.19	2.080	1.330	1.182
Financial liabilities	8.16	4.785.580	3.556.683	3.913.790
Other liabilities	8.20	113.505	79.028	39.195
Deferred tax liabilities	8.21	1.491.521	1.479.689	1.692.485
Total non-current liabilities	**-**	**6.392.685**	**5.116.730**	**5.646.653**
Current liabilities				
Other provisions	8.19	11.780	7.107	15.947
Rental and lease liabilities	-	22.964	17.137	13.570
Trade payables	-	131.492	121.768	112.102
Contract liabilities	8.1	27.698	23.289	43.946
Financial liabilities	8.16	37.618	700.961	4.713
Tax liabilities	-	7.518	13.901	3.478
Other liabilities	8.20	19.885	14.027	52.076
Total current liabilities	**-**	**258.955**	**898.189**	**245.832**
Total liabilities	**-**	**6.651.640**	**6.014.919**	**5.892.485**
Total equity and liabilities	**-**	**14.110.622**	**13.322.027**	**13.928.549**

Consolidated statement of comprehensive income

for the period from 1 January 2024 to 31 December 2024

in EUR k	Note	2024	2023 after adjustment[1)]
Rental and lease revenue (IFRS 16)		403,841	385,211
Revenue from operating costs (IFRS 16)		40,636	38,592
Revenue from real estate management	**7.1**	**444,477**	**423,804**
Revenue from the in-substance sale of school buildings (IFRS 16)		167,790	-
Revenue from operating costs (IFRS 15)		25,075	28,926
Revenue from heating costs (IFRS 15)		80,799	78,674
Revenue from management services and other trade		10,546	7,784
Other revenue		3,529	1,889
Other revenue from real estate management	**7.1**	**287,739**	**117,274**
Total revenue		**732,216**	**541,078**
Profit or loss from the remeasurement of investment property	7.2	-46,926	-1,179,694
Change in inventories for school construction projects		81,860	172,783
Own work capitalized		11,566	3,765
Cost of materials	7.3	-412,484	-363,767
Personnel expenses	7.5	-76,860	-64,624
Amortization and depreciation of non-financial assets	7.4	-6,630	-7,266
Impairment and reversals of impairment of financial assets	8.9	-177	-3,623
Other operating income	7.6	11,770	57,028
Other operating expenses	7.7	-49,529	-36,257
Profit or loss from investments accounted for using the equity method	8.11	-3,798	2,400
Gain or loss from assets held for sale	8.14	600	-300
Finance income	7.8	24,367	12,190
Finance costs	7.8	-67,788	-43,363
Other taxes	7.10	-16,640	-16,551
Profit or loss before taxes		**181,547**	**-926,202**
Income taxes	7.9	-41,450	191,419
Profit or loss for the period		**140,097**	**-734,783**
Other comprehensive income/loss (actuarial losses from pension plans)		-39	-
Tax effect on other comprehensive income/loss		12	-
Total comprehensive income/loss		**140,070**	**-734,783**

[1)] Please see note 1.3 for more information on the adjustments

In the reporting period ended 31 December 2024, other comprehensive income/loss (IAS 1.7) resulted from net pension obligations of EUR -28k. Otherwise, HOWOGE is not exposed to any exchange rate fluctuations and does not account for financial instruments at fair value through OCI.

Consolidated statement of changes in equity

for the period from 1 January 2024 to 31 December 2024

in EUR k	Subscribed capital	Capital reserves	Retained earnings	Reserve required by the articles of association	Accumulated retained earnings	Consolidated net retained profit/accumulated loss	Total equity
1 Jan 2024	25.000	320.937	7.683.456	12.500	7.695.953	-734.783	7.307.108
Allocation to retained earnings from consolidated profits earned	-	-	-734.555	-	-734.555	734.554	-
Appropriation of retained earnings	-	-	-229	-	-229	229	-
Contribution from land transfer	-	11.950	-	-	-	-	11.950
Total comprehensive income/loss	-	-	-27	-	-27	140.097	140.070
Other gains or losses from first-time consolidation	-	-	-146	-	-146		-146
31 Dec 2024	**25.000**	**332.887**	**6.948.498**	**12.500**	**6.960.998**	**140.097**	**7.458.982**

for the period from 1 January 2023 to 31 December 2023

in EUR k	Subscribed capital	Capital reserves	Retained earnings	Reserve required by the articles of association	Accumulated retained earnings	Consolidated net retained profit/ac-cumulated loss	Total equity
1 Jan 2023	25.000	317.901	7.671.458	22.500	7.693.956	79.804	8.116.662
Adjustments[1)]	-	-	-	-	-	-80.598	-
1 Jan 2023 after adjustments[1)]	25.000	317.901	7.671.458	22.500	7.693.956	-794	8.036.064
Allocation to retained earnings from consolidated profits earned	-	-	2.226	-	2.226	564	2.791
Appropriation of retained earnings	-	-	-229	-	-229	229	-
Disclosure of reserve required by the articles of association of the parent company	-	-	10.000	-10.000	-	-	-
Contribution from land transfer	-	3.036	-	-	-	-	3.036
Total comprehensive income/loss	-	-	-	-	-	-734.783	-734.783
31 Dec 2023 after adjustments[1)]	**25.000**	**320.937**	**7.683.456**	**12.500**	**7.695.953**	**-734.783**	**7.307.108**

[1)] Please see note 1.3 for more information on the adjustments

Consolidated statement of cash flows

for the period from 1 January 2024 to 31 December 2024

in EUR k	**2024**	**2023**
Profit or loss before taxes	**181.547**	**-926.202**
Non-cash expenses and income	**41.955**	**1.131.624**
Losses/(gains) on the remeasurement of investment property and assets held for sale	46.926	1.179.694
Amortization, depreciation and impairment/(reversals of impairment) of intangible assets and property, plant and equipment	6.630	7.266
Impairment/reversals of impairment of financial assets	-	-2.901
(Decrease)/increase in provisions	2.825	-8.818
Other non-cash expenses/(income)	-18.224	-41.141
(Gain)/loss on joint ventures accounted for using the equity method, and other investments	3.798	-2.475
Working capital adjustments	**-223.466**	**-131.602**
Decrease/(increase) in rental and lease receivables, receivables from other trade and contract assets	-5.569	11.533
Decrease/(increase) in inventories	-231.499	-161.355
Decrease/(increase) in non-current assets held for sale and discontinued operations	-	-23.136
(Decrease)/increase in trade payables and other liabilities, and contract liabilities	-924	-8.892
Non-cash government grants	14.527	50.247
Reclassifications to other areas of activity	**14.771**	**9.735**
(Gains)/losses on the disposal of intangible assets and property, plant and equipment	-600	-
Net finance costs/(income)	43.400	37.344
Other taxes paid	-	-16.394
Income taxes paid	-28.028	-10.542
Cash flows from operating activities	**14.808**	**83.554**
Cash paid for investments in investment property	-299.628	-299.349
Cash paid for investments in other non-current assets	-12.220	-2.764
thereof in property, plant and equipment	-10.333	-378
thereof in intangible assets	-1.887	-
thereof in financial assets	-	-2.386
Cash received from disposals of property, plant and equipment	11.100	-
Cash received from disposals of financial assets	95.013	-
Cash paid for additions to the basis of consolidation	-1.665	-
Interest received	24.048	6.866
Cash flows from investing activities	**-183.352**	**-295.247**
Cash received from borrowings	1.243.594	428.384
Cash repayments of borrowings	-708.602	-132.534
Proceeds from shareholder loans	58.496	74.576
Cash repayments of lease liabilities	-1.056	-896
Interest paid	-52.318	-42.424

in EUR k	**2024**	**2023**
Cash flows from financing activities	**540.113**	**327.106**
Net change in cash and cash equivalents	**371.569**	**115.413**
Cash and cash equivalents as of 1 January	**273.069**	**157.657**
Cash and cash equivalents as of 31 December	**644.639**	**273.069**

1) Please see note 1.3 for more information on the adjustments

Condensed statement of cash flows

for the period from 1 January to 31 December

in EUR k	**2024**	**2023**
Cash flows from operating activities	14.808	83.554
Cash flows from investing activities	-183.352	-295.247
Cash flows from financing activities	540.113	327.106

Notes to the consolidated financial statements

Contents

1 General notes to the consolidated financial statements

1.1 Information on the Group

HOWOGE Wohnungsbaugesellschaft mit beschränkter Haftung ("HOWOGE") is domiciled in Germany and registered with the local court of Berlin-Charlottenburg under register number HRB 44819 B. The Company's registered office is Stefan-Heym-Platz 1, 10367 Berlin. With around 77,100 residential units of its own as of the reporting date 31 December 2024, HOWOGE is one of Germany's biggest landlords.

As a municipal housing company, it is HOWOGE's objective to mature from a municipal property manager to a district and urban developer by placing sustainability and social responsibility at the heart of its portfolio strategy. In addition to property management, the Group's core activities include new housing construction and school construction.

Under the cooperation agreement "Affordable rents, new housing construction and social housing supply" concluded with the State of Berlin, HOWOGE has committed itself to a number of measures to ensure that affordable housing is provided to the population. One such measure is that a minimum of 63% of all existing apartments are reserved for persons with a certificate of eligibility for public housing (WBS). These also include, in particular, special needs groups, such as recipients of transfer benefits, refugees and homeless persons. Owing to the cooperation agreement and the social focus of its portfolio management, HOWOGE has limited potential for rent increases compared to its private competitors. In addition, the Berlin Senate adopted a rent freeze in the fourth quarter of 2022, prohibiting rent increases for apartments owned by HOWOGE and the other state-owned companies in the prior fiscal year 2023. Since 1 January 2024, the provisions of the new cooperation agreement have been effective for the state-owned housing companies and, among other things, allow rent increases of up to 2.9% on average for existing properties. At the same time, it ensures that WBS-eligible households do not have to spend more than 27% of their household income on net rent (excluding heating and utilities).

These consolidated financial statements were authorized by the management board for issue to the supervisory board on 25 March 2025.

1.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements as of 31 December 2024 were prepared in accordance with International Financial Reporting Standards (IFRSs) and the interpretations of the International Financial Reporting Standards Interpretations Committee, as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code]. All pronouncements of the International Accounting Standards Board (IASB) whose adoption is mandatory were considered. The income statement for the period from 1 January 2024 to 31 December 2024 is classified using the nature of expense method. HOWOGE is a publicly traded company within the meaning of Sec. 264d HGB and is therefore considered a large corporation within the meaning of Sec. 267 (3) HGB. Furthermore, HOWOGE is a corporation within the meaning of Sec. 327a HGB.

The consolidated financial statements have been prepared on a historical cost basis, except for investment property and equity financial assets, which are measured at fair value, and any assets held for sale (IFRS 5), which are measured at the lower of carrying amount and fair value less costs to sell.

The consolidated financial statements were prepared on a going concern basis.

The consolidated financial statements are presented in euros, which is the Group's functional currency, and all values are rounded to the nearest thousand (EUR k), except when otherwise indicated.

The consolidated financial statements contain comparative information for the prior reporting period.

1.3 IAS 8 error correction

The following circumstances gave rise to a correction of errors from a prior period in the 2024 consolidated financial statements:

School constructions are reported under inventories in the IFRS statement of financial position and under property, plant and equipment in the statutory balance sheet and tax accounts. As such, although there is a difference in presentation, this does not result in a temporary difference because the carrying amounts are the same. This difference in presentation was incorrectly reflected in the calculation of deferred taxes as of 31 December 2022 and 31 December 2023. At HOWOGE Wohnungsbaugesellschaft mbH, this led to deferred tax liabilities in property, plant and equipment being understated by EUR 62.5m as of 31 December 2022 and by EUR 86.1m as of 31 December 2023. In addition, an exemption under IFRSs should have been applied for the Apollo companies. Not doing so meant that additional deferred tax liabilities in property, plant and equipment of EUR 18.1m (2023: EUR 8.1m) were not taken into account in the 2022 consolidated financial statements. Overall, deferred tax liabilities in property, plant and equipment were understated by EUR 80.6m as of 31 December 2022 and by EUR 94.2m as of 31 December 2023.

The correction as of 1 January 2023 gave rise to an additional income tax expense of EUR 13.6m for fiscal year 2023, which is the amount by which the prior-year deferred tax income was understated.

The effects on the relevant items in the statement of financial position were as follows:

Effects on the statement of financial position in EUR	1 Jan 2023 before adjustment	adjustment	1 Jan 2023 after adjustment	31 Dec 2023 before adjustment	adjustment	31 Dec 2023 after adjustment
Consolidated accumulated loss/net retained profit item	79.804	-80.598	-794	-721.226	-13.557	-734.783
Total equity	8.116.662	-80.598	8.036.064	7.401.263	-94.154	7.307.109
Deferred tax liabilities	1.611.888	80.598	1.692.486	1.385.534	-94.154	1.479.689

The effects on the relevant items in the income statement were as follows:

Effects on the income statement in EUR k	2023 before adjustment	adjustment	2023 after adjustment
Income taxes item (including deferred tax liabilities)	204.976	-13.557	191.419
Profit or loss for the period item	-721.226	-13.557	-734.783

2. New and amended standards and interpretations

2.1 Standards effective for the first time in the fiscal year

The Group applied for the first time certain standards and amendments which are effective for fiscal years beginning on or after 1 January 2024.

The new or amended standards and interpretations listed below were effective for the first time in fiscal year 2024. They did not lead to any significant impact on these consolidated financial statements.

Standard	Change	Effective date
IFRS 16	Lease Liability in a Sale and Leaseback	1 Jan 2024
IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 Jan 2024
IAS 7 and IFRS 7	Supplier Finance Arrangements	1 Jan 2024

2.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. HOWOGE intends to adopt these new and amended standards and interpretations when they become effective.

Standard	Change	Effective date
IAS 21	Lack of Exchangeability	1 Jan 2025
IFRS 7 and IFRS 9	Classification and Measurement of Financial Instruments and Power Purchase Agreements	1 Jan 2026[1)]
IFRS 18	Presentation and Disclosure in Financial Statements	1 Jan 2027[1)]
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 Jan 2027[1)]

[1)] The endorsement date was still pending at the time of preparation.

First-time application of these amendments is not expected to have any significant effect on HOWOGE's consolidated financial statements.

3 Business acquisition

In fiscal year 2024, HOWOGE Wohnungsbaugesellschaft mbH acquired LEO II. – VV14 GmbH and ATOZ Facility Solutions GmbH, thereby continuing its insourcing strategy launched in 2023. The company has a 170-strong workforce and was bought from the investment fund Lenbach Equity Opportunities II. GmbH & Co. KG, itself exclusively advised by the DUBAG Group in Munich. It is already active as a housing management service provider for HOWOGE. The company was transferred to the HOWOGE Group with effect from 1 August 2024. See note *4.1 Business combinations* and note *8.6 Intangible assets* for further information.

4 Consolidation principles

4.1 Business combinations

Business combinations are accounted for using the acquisition method as soon as the Group obtains control. Fair value step-ups or step-downs on the carrying amounts of the acquiree's assets and liabilities are recognized as part of the required revaluation. Any excess remaining after the recognition of fair value step-ups or step-downs is reported as goodwill in the statement of financial position. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Transaction costs are expensed as incurred, except if related to borrowing costs or costs of issuing debt capital.

Acquisition accounting is based on the acquisition method, according to which cost is offset against the Group's share in equity as remeasured at the date of acquisition. All intragroup receivables and liabilities, income and expenses and gains and losses resulting from intragroup transactions are eliminated.

Effective as of 1 August 2024, HOWOGE Wohnungsbaugesellschaft mbH acquired LEO II. – VV14 GmbH and ATOZ Facility Solutions GmbH from Lenbach Equity Opportunities II. GmbH & Co. KG for a single-digit million amount, thereby continuing its insourcing strategy launched in 2023.

4.2 Subsidiaries

The consolidated financial statements as of 31 December 2024 include the separate financial statements of HOWOGE and its subsidiaries (see the table below). Alongside the parent company, the basis of consolidation as of 31 December 2024 comprised 20 companies, two of which, LEO II. – VV14 (directly wholly owned) and ATOZ Facility Solutions GmbH (indirectly wholly owned), were added in fiscal year 2024. Unless otherwise stated, all companies in the list of shareholdings are fully consolidated.

Company	Registered office	Shareholding 31 Dec 2024	Shareholding 31 Dec 2023
Wohnungsbaugesellschaft Lichtenberg mbH	Berlin, Germany	100%	100%
HOWOGE Servicegesellschaft mbH	Berlin, Germany	100%	100%
HOWOGE Reinigung GmbH	Berlin, Germany	100%	100%
HOWOGE Wärme GmbH	Berlin, Germany	100%	100%
Kramer + Kramer Bau- und Projektmanagement GmbH	Berlin, Germany	100%	100%
Entwicklungsgesellschaft Elisabeth-Aue-GmbH[1)]	Berlin, Germany	50%	50%
LEO II. – VV14 GmbH[2)]	Munich, Germany	100%	-
ATOZ Facility Solutions GmbH[2)]	Berlin, Germany	100%	-
HOWOGE Klingsorstrasse GmbH	Berlin, Germany	100%	100%
HOWOGE Herbststrasse GmbH	Berlin, Germany	100%	100%
HOWOGE Roedernallee GmbH	Berlin, Germany	100%	100%
HOWOGE Soldinerstrasse GmbH	Berlin, Germany	100%	100%
HOWOGE Schöneberger Strasse GmbH	Berlin, Germany	100%	100%
HOWOGE Goldschmidtweg GmbH	Berlin, Germany	100%	100%
HOWOGE Damerowstrasse GmbH	Berlin, Germany	100%	100%
HOWOGE Baumschulenstrasse GmbH	Berlin, Germany	100%	100%
HOWOGE Mühsamstrasse GmbH	Berlin, Germany	100%	100%
HOWOGE High Deck Siedlung GmbH	Berlin, Germany	100%	100%
HOWOGE Landsberger Allee GmbH	Berlin, Germany	100%	100%
HOWOGE Goeckestrasse GmbH	Berlin, Germany	100%	100%

1) Consolidated using the equity method

2) Added in fiscal year 2024

The Group is deemed to control an entity if it has rights to variable returns from its involvement with the investee and the Group has the ability to use its power over the investee to affect its returns. If subsidiaries are fully consolidated, their assets and liabilities are included in full in the consolidated financial statements. Inclusion of subsidiaries in the consolidated financial statements begins on the date on which the Group first gains control and ends when the Group loses this control.

The financial statements of HOWOGE and its subsidiaries were consistently prepared in accordance with uniform accounting policies.

4.3 Joint ventures

Joint arrangements classified as joint ventures are accounted for using the equity method. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. HOWOGE has a 50% investment in the development company Elisabeth-Aue GmbH, Berlin (Elisabeth-Aue), which is classified as a joint venture and is accounted for in the consolidated financial statements using the equity method.

The effects of transactions between the entities included in the consolidated financial statements are eliminated during preparation of the consolidated financial statements. Profits and losses from transactions with equity-accounted investees are only eliminated to the extent of the Group's interest in the investee.

5 Accounting policies

5.1 Investment property

Investment property comprises the properties of HOWOGE that are held to earn rentals or for capital appreciation and not for owner occupation or sale in the ordinary course of business. The investment property includes residential property (some of which is used commercially), undeveloped land, project developments and land subject to hereditary building rights granted to third parties (hereditary building rights granted to third parties).

Investment property that is held for sale and whose sale is considered to be highly probable within the next 12 months is accounted for under assets held for sale in current assets in accordance with IFRS 5.

Mixed-use properties are divided into owner-occupied and leased sections if it is legally possible to partition the respective property and neither the owner-occupied nor the leased components are insignificant. The leased section is allocated to investment property and the owner-occupied section to property, plant and equipment. The components are allocated on a basis proportionate to the respective areas.

Properties are transferred from the investment property portfolio when there is a change in use, evidenced by commencement of owner occupation or development with a view to sale.

Investment property is initially recognized at cost including transaction costs unless it was acquired as part of a business combination. The properties are subsequently measured at fair value in accordance with the option in IAS 40 in conjunction with IFRS 13. Changes in the fair values of the properties are recognized in profit or loss for the period.

Prepayments on purchases of real estate whose economic transfer has not yet taken place are reported under prepayments on investment property.

Costs incurred subsequently to add to, replace part of, or service a property (IAS 40.17) are recognized as part of the carrying amount of an asset if, under the component approach (IAS 40.19), the replacement of parts creates a whole and the costs can be measured reliably. They are also recognized if the activities enhance future use and the costs can be measured reliably. The costs recognized as part of the carrying amount of an asset are not amortized as amortization is not applied when the fair value measurement option of IAS 40 is exercised.

As of the reporting date 31 December 2024 and the comparative reporting date 31 December 2023, the fair values of the properties were based in full on valuations by an independent appraiser. A valuation model equivalent to that recommended by the International Valuation Standards Committee was applied. The management board has established a valuation process according to which the valuation of the real estate portfolio is tendered out annually to an external party on the basis of predefined criteria. Criteria for the selection of the independent appraiser include independence, reputation, market knowledge and whether professional standards are maintained.

The real estate valuation by the independent appraiser was based on the following valuation approaches:

- Discounted cash flow (DCF), mainly for existing properties and for ongoing new construction projects with a percentage of completion of more than 50%
- Sales comparison approach, mainly for undeveloped land and hereditary building rights granted to third parties
- Residual value method, mainly for development land and new construction projects with a percentage of completion of less than 50%

The valuation approaches applied for 2024 were the result of a refinement of the methods already used in 2023. They mainly relate to an adjusted technical methodology applied in the valuation approach for development land, new construction projects and undeveloped land in order to ensure market-based valuation.

As described above, undeveloped properties are valued regularly based on the official land values under an indirect sales comparison approach. Deductions are made, in particular to reflect the readiness for development and the potential use as well as the probability of development and available infrastructure. For any structures on the properties that need to be removed (demolitions), the related demolition costs are included as part of the DCF method for residential properties and in the official land value for undeveloped land. Hereditary building rights granted to third parties are measured as encumbered land under an indirect sales comparison approach as for undeveloped land. The value of the hereditary building right comprises the land value discounted over the term of the hereditary building right and the capitalized rent agreed for the hereditary building right.

The earnings in the DCF model mainly comprise anticipated rental income (current net rent, market rents and market rent development) taking reductions from vacancies into account. The anticipated rental income for each location is derived from current rent indices and studies on geographic prosperity.

Costs include maintenance expenses and administrative expenses. In Germany, these are derived from the Second Computation Ordinance ["II. Berechnungsverordnung": II. BV] and adjusted for inflation in the period under review. The II. BV is a German ordinance that governs the calculation of the economic efficiency of housing. Other costs are rent payable for hereditary building rights, non-allocable operating costs, reletting costs and other special factors impacting value (e.g., maintenance backlog). Modernization work on the properties is taken into account in the form of adjustments to current maintenance expenses and adjusted amounts for market rent.

Due to the limited availability of market data or data and valuation inputs not directly observable in the market, the complexity of real estate appraisal and the specifics of properties, the fair value measurement of investment property is allocated to Level 3 of the fair value hierarchy of IFRS 13.86 (valuation on the basis of unobservable inputs).

The valuation is based on homogeneous valuation units that meet the criteria of economically connected and comparable land and buildings.

These include:

- Geographic location (same micro-location and geographic proximity)
- Similar use types, building category, year of construction category, property condition and number of levels
- Same property features, such as rent levels, rent controls, hereditary building rights and full or partial ownership

As a municipal housing company, HOWOGE plays a key role in increasing the municipal housing stock and therefore in supplying broad sections of the population, especially middle and low-income households, with inexpensive housing. This gives rise to contractual obligations, which were taken into account in connection with the valuation of investment property if they have a significant effect on the valuation.

An analysis of the valuation inputs showed that the further development is primarily dependent on the anticipated minimum and average development of rents within the next five years. It is thus expected that the value of the residential properties will rise by 1.20% (2.98%) due to the anticipated minimum (average) development of rents in the next five years. Note *8.1 Investment property* contains an overview of the key value drivers.

Restrictions relating to the termination of rental agreements include restrictions on terminations for own use of the property and due to reasonable economic use. In some cases, lifelong termination protection can apply.

There are currently contractual obligations in place to purchase five projects (development). HOWOGE has undertaken to purchase the project on completion if the contractual requirements are met. To this end, payments are regularly made on the basis of construction progress according to predefined milestones. There are no further contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

See note *8.16 Financial liabilities* for information on investment property encumbered with real property liens in favor of various creditors.

5.2 Inventories for school construction projects

Inventories are measured at the lower of cost or net realizable value.

Cost includes expenditure that can be directly attributed to the units of production, in particular the cost of materials and labor costs. Cost also includes fixed and variable production overheads that are incurred during conversion into finished goods. Production overheads in this context refer directly to the proportionate costs of management and administration. As the average construction period for school buildings is up to 6.5 years, the requirements for a qualifying asset are met. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as the cost of that asset. Refer to note *5.8 Borrowing costs* for additional information.

A component of inventories are school buildings, which are carried at cost until they are completed. The main focus is on building new schools and carrying out extensive refurbishment of existing schools.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

5.3 Property, plant and equipment

Property, plant and equipment are recognized at cost and depreciated straight line over their expected economic useful life.

Depreciation is charged on the basis of the following group-wide useful lives:

- Residential buildings: 25 to 80 years
- Commercial and other buildings: 25 years
- Other equipment, furniture and fixtures: 3 to 13 years

5.4 Intangible assets

Purchased intangible assets with finite useful lives are recognized at cost. Purchased intangible assets relate to customer bases and software licenses that have a limited useful life. The software licenses are amortized straight line over expected economic lives of three to five years from the date on which they are made available. The useful life is three years for software recognized as an asset and five years for ERP systems recognized as assets. Customer bases are amortized straight line over their expected useful lives from the date of recognition, usually over a period of three to five years.

The carrying amount of goodwill acquired from business combinations is calculated as the excess of the consideration transferred plus the amount of all non-controlling interests in the acquiree held by the direct parent company over the fair values of the identifiable assets acquired and liabilities assumed.

Acquired goodwill is carried in the functional currency of the acquiree. It is tested for impairment at least once a year and whenever events or circumstances indicating impairment occur.

5.5 Impairment of assets

Intangible assets and property, plant and equipment are tested for impairment pursuant to IAS 36 *Impairment of Assets* as soon as there are indications or changes in circumstances that point to an impairment. Asset impairment tests are carried out at an asset level. If the recoverable amount of an asset cannot be determined, the impairment test is carried out on the basis of the cash-generating unit (CGU) to which the asset belongs. Impairment losses are recognized in profit or loss.

If the recoverable amount of an asset is lower than the carrying amount, an impairment loss is immediately recognized on the asset through profit or loss.

It is assessed at each reporting date whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

The groups of CGUs to which goodwill has been allocated are subject to regular impairment testing. For this purpose, the recoverable amount is compared with the carrying amount of the groups of CGUs. The recoverable amount of the groups of CGUs is the greater of their value in use and their fair value less costs of disposal. This calculation uses the cash flow forecast based on the financial planning covering a period of five years in total. Pre-tax discount rates that reflect the current market assessment of the time value of money and the entity's specific risks are used.

Investment property is not included in the impairment test pursuant to IAS 36 as it is recognized at fair value.

5.6 Leases

5.6.1 Accounting for leases as the lessee

Leases as defined by IFRS 16 are all contracts that convey to HOWOGE the right to use an identified asset for a period of time in exchange for consideration.

Lease liabilities under lease agreements that constitute leases within the meaning of IFRS 16 are recognized at the present value of the future lease payments discounted using the incremental borrowing rate for an equivalent maturity. To determine the incremental borrowing rate for an equivalent maturity, a risk-free interest rate with maturities of between one and 30 years was used and a risk premium for the relevant maturity applied. This method for determining the incremental borrowing rate for an equivalent maturity is also used in subsequent periods. Lease liabilities are reported as non-current and current financial liabilities in the statement of financial position based on their maturity.

On the assets side, right-of-use assets are recognized in the amount of the lease liability taking any lease payments made in advance or initial direct costs into account.

The lease liabilities are adjusted on the basis of financial principles by adding the interest expenses for the period and subtracting the amount of lease payments made. Right-of-use assets are recognized at cost less depreciation and impairment losses.

Right-of-use assets that meet the definition of investment property (IAS 40) are subsequently measured at cost in accordance with the accounting rules of IAS 40 based on their initial recognition and are reported under the investment property item. The other right-of-use assets are reported under property, plant and equipment.

If there are changes in the lease term or amount of lease payments the present value is recalculated and the lease liability and right-of-use asset are adjusted accordingly. The lessee’s right-of-use assets that meet the definition of IAS 40 *Investment Property* are measured using the fair value model.

Periods from options to extend or terminate a lease that are granted unilaterally are assessed on a case-by-case basis and only taken into account if it is sufficiently probable that they will be exercised, e.g., due to economic incentives.

In addition to conventional vehicle leases with 3-year fixed terms, HOWOGE also leases parking spaces (10-year terms) and land, some of which for the purpose of subleasing. The latter leases, i.e., the long-term hereditary building rights agreements, have the most significant effect on assets, liabilities, financial position and financial performance. Under these agreements, land is leased for the purpose of renting out residential properties constructed on the land. They have terms of approximately 99 years. Right-of-use assets from hereditary building rights granted to the Group are recognized at fair value in accordance with IAS 40 if they meet the definition of investment property.

There is an accounting policy choice for leases of low-value assets. HOWOGE exercises the option not to recognize such leases in the statement of financial position. Lease payments made on leases of low-value assets are therefore expensed straight line over the term of the lease.

5.6.2 Accounting for leases as the lessor

In line with the statutory requirements, rental agreements for the residential properties contain options for the tenants to terminate at short notice. These agreements are classified as operating leases in accordance with IFRS 16 because substantially all the risks and rewards related to the properties are retained by HOWOGE.

The same applies to the current agreements for commercial units (commercial use of a proportion of the residential properties) and for the rental of HOWOGE's own broadband cable networks. Operating lease income is recognized in the statement of comprehensive income under rental and lease revenue straight line over the term of the corresponding agreements.

Rental agreements for school buildings are classified as finance leases as substantially all the risks and rewards related to the property are transferred to the lessee. This entails an in-substance sale. The income from school construction contracts accounted for in accordance with IFRS 16 is discounted upon sale and recognized as revenue at that point in time. The corresponding costs for the construction of the school buildings have an offsetting effect. The interest income arising from the unwinding of the discount on the revenue is recognized as finance income over the term of the lease.

In some cases, HOWOGE has also identified subleases. These relate to subleases of hereditary building rights and to land with parking spaces that has been subleased until the end of the original head lease. HOWOGE has therefore classified these subleases as finance leases. The portion of the right-of-use asset attributable to the sublease was derecognized and a receivable recognized in the amount of the expected lease payments. The related finance income is recognized over the term in line with the payment schedule based on a constant periodic rate of return on the net investment.

5.7 Financial assets and liabilities (financial instruments)

Pursuant to IFRS 9 in conjunction with IAS 32, a financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. If the trade date and settlement date for financial assets can differ, they are initially accounted for at the settlement date. Financial instruments are initially measured at their acquisition-date fair value. If the transaction price is different to the fair value the difference is either recorded directly in the income statement or allocated over the term or repricing time period depending on the level at which the fair value is determined. Trade receivables that do not contain significant financing components are initially recognized at the transaction price. IFRS 9 breaks financial assets down into the following measurement categories:

- Financial assets at amortized cost (at amortized cost)
- Financial assets at fair value through profit or loss (FVPL)
- Financial assets at fair value through other comprehensive income (FVOCI)

Classification is based on two criteria, the solely payments of principal and interest (SPPI) criterion and the business model criterion. First, the nature of the future cash flows from a financial asset must be assessed. The SPPI criterion is met if the cash flows represent solely payments of principal and interest on predefined dates. The SPPI criterion must be met as the first prerequisite for measuring a financial asset at amortized cost.

For the second classification criterion, an entity must test its business model, i.e., determine its intentions in terms of generating profits from the investment in the financial asset. A distinction is made between business models aimed solely at collecting the contractual cash flows and those that are held with the intention to sell. Other business models that combine both objectives or whose objective is initially unclear are also possible. For the second classification criterion, an entity must test its business model, i.e., determine its intentions in terms of generating profits from the investment in the financial asset.

By contrast, financial liabilities are assigned to the categories:

- Financial liabilities at amortized cost (at amortized cost)
- Financial liabilities at fair value through profit or loss (FVPL)

In accordance with IFRS 9, both the business model under which the financial asset is held and the characteristics of the financial asset's cash flows are taken into account when classifying financial assets.

Depending on how the financial instruments are classified, they are recognized at fair value or amortized cost using the effective interest (EIR) method in subsequent periods. The fair value is the market or exchange price. If no active market or stock exchange price can be determined for a financial instrument, the fair value is calculated using appropriate financial models, such as accepted option pricing models, or by using the market interest rate to discount future cash flows. Amortized cost is the acquisition cost minus principal repayments, reductions for impairment and the amortization using the EIR method of any difference between the acquisition cost and the maturity amount.

Financial assets are derecognized when the contractual rights to the cash flows from an asset expire, or the Group transfers the rights to receive the cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any differences arising at derecognition are recognized in profit or loss.

The Group derecognizes a financial liability when its contractual obligations are discharged or canceled, or expire. If there are changes in the contractual terms or contract extensions, the Group assesses whether these represent substantial modifications to the contractual terms. If this is the case, the Group accounts for the changes or extensions by derecognizing the original liability and recognizing a new liability. Any difference between the carrying amount of the original liability and the fair value of the new liability and any processing and other transaction costs are expensed immediately.

If a financial instrument (whether asset or liability) measured at amortized cost is not derecognized based on changes to the contractual terms, the new carrying amount is determined as the present value of the renegotiated or modified contractual cash flows using the original EIR and any difference between the new and original carrying amount is recognized in profit or loss. The carrying amount is adjusted for any processing or other transaction costs, which are amortized using the EIR method.

5.7.1 Rental and lease receivables and receivables from other trade

Rental and lease receivables and receivables from other trade are initially recognized at fair value plus transaction costs and subsequently measured at amortized cost.

5.7.2 Other financial assets

Other financial assets are initially recognized at fair value plus transaction costs and subsequently measured at amortized cost.

5.7.3 Receivables and liabilities from unbilled operating costs

HOWOGE recognizes unbilled allocable operating costs separately as contract assets as of the reporting date less the amount of prepayments of operating expenses received from tenants, provided the related requirements are met. Allocable costs that meet the recognition criteria and tenant prepayments are presented as a net item. If the costs are higher than the prepayments, a contract liability is presented as part of financial liabilities. See note *5.13 Revenue recognition* for further details.

5.7.4 Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits, other short-term, highly liquid financial assets with a term of no more than three months from the date of acquisition and bank overdrafts that are subject to insignificant changes in value.

5.7.5 Financial liabilities

Financial liabilities are initially recognized at fair value less transaction costs, premiums and discounts. The fair value at the grant date is the present value of the future payments calculated using a market rate of interest for an equivalent maturity and risk profile.

Subsequent measurement is at amortized cost using the EIR method. The EIR is determined at the date on which the financial liability originates.

Financial liabilities also include liabilities from unbilled operating costs, liabilities to banks, bonds issued and government grants as well as liabilities from rental and lease agreements and trade payables.

5.7.6 Bonds

Issued bonds are initially measured at fair value less the directly attributable transaction costs and the discount. They are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the income statement.

5.7.7 Government grants

HOWOGE receives government grants in the form of interest-subsidized loans. The interest-subsidized loans are property loans and are presented as financial liabilities. They offer advantages over standard market loans such as lower interest, interest-free and repayment-free periods and repayment subsidies.

Interest-subsidized loans are initially recognized at present value based on the market interest rate applicable at the time the loan was raised. The difference between the nominal amount and the present value of the loan is recognized as deferred income under other liabilities. It is amortized to income straight line over the residual term of the respective loans, which are subsequently measured at amortized cost.

Repayment subsidies are recognized in accordance with IAS 20.7 when there is reasonable assurance that the conditions attaching to them will be complied with and the grants will be received. For expense subsidies in the form of rent or similar subsidies, the difference between the nominal amount and the present value of the loan is recognized under other liabilities and amortized to income as the expenses are incurred. They are presented under other revenue from real estate management. Repayment subsidies granted as investment subsidies are also deferred and subsequently recognized as other revenue over the remaining term of the liabilities concerned.

5.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. The other borrowing costs are expensed in the period in which they occur. Borrowing costs during the construction phase are included in inventories for school construction projects.

5.9 Impairment of financial instruments

Under IFRS 9, the impairment model used is based on expected credit losses. The impairment rules are applicable to debt instruments that are measured at amortized cost in subsequent periods. Under the general approach, expected losses are already accounted for at initial recognition. The standard introduces a three-stage model to determine expected losses.

Under the general approach, financial instruments are initially allocated to the first stage. A risk provision is recorded by recognizing a loss allowance at an amount equal to the 12-month expected credit losses. If the credit risk increases significantly, the financial instrument is transferred to stage 2. Now the loss allowance is measured at an amount equal to the lifetime expected credit losses.

HOWOGE applies the simplified approach in IFRS 9 afforded for rental receivables, trade receivables and contract assets pursuant to IFRS 15. Under the simplified approach, a loss allowance is measured at an amount equal to the lifetime expected credit losses irrespective of the credit quality. This is recorded in a separate account on initial recognition.

Due to their contractual arrangements, rental receivables are normally past due immediately on recognition and are forwarded to a collection agency after approximately 30 days. The receivables are then deemed as defaulted and are written off in full.

Loss allowances for cash and cash equivalents and other financial assets are calculated using the general approach. Since the counterparties have good credit ratings the expected credit losses are generally negligible.

For the loss allowance for financial instruments classified as at amortized cost, the credit risks of the individual debtors are initially grouped based on shared credit risk characteristics. The respective debtors are allocated to groups according to the nature of the business relationship. The loss allowance is determined based on a diversified analysis of the debtors. The analysis draws on information on historical payment defaults, current market information, such as credit default swaps, and forward-looking estimates such as external ratings. Since the lease receivables are mainly current and already past due when they are recognized, under the simplified approach, this information is used directly to derive a probability of default. Under the general approach, loss allowances are calculated individually for significant debtors, while clusters are formed for less significant debtors to calculate loss allowances.

The quantification of the expected credit losses is largely based on the three inputs probability of default, loss given default and the financial asset's exposure at default. The credit risks and associated loss allowances are reviewed regularly and adjusted if necessary. There were no changes to the techniques used to estimate loss allowances in the reporting period.

5.10 Fair value of financial instruments

HOWOGE measures financial instruments at fair value at each reporting date (for details of the measurement of investment property, see also note *8.1 Investment property*). Fair value is measured for disclosure in the notes; in the statement of financial position, all financial instruments currently held are measured at amortized cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments are accounted for in accordance with the provisions of IFRS 9 *Financial Instruments*. When financial instruments are not recognized at fair value, their fair value is determined for disclosure in the notes (see note *8.7 Financial assets and financial liabilities*).

HOWOGE uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted or market price in an active and open market.
- Level 2: Quoted price in an active market for similar financial instruments or in an inactive market for identical or similar financial instruments or observable inputs other than quoted prices.
- Level 3: Valuation techniques using unobservable inputs.

For assets and liabilities that are normally recognized at fair value in the financial statements, HOWOGE determines whether transfers have taken place between hierarchy levels by reassessing the classification at the end of each reporting period (based on the lowest level input that is significant to the entire fair value measurement).

Except otherwise stated, the fair value of cash and cash equivalents, trade receivables and trade payables is equivalent to the carrying amount due to their short-term nature.

See note *8.8 Fair value of financial instruments* for information on the calculation of the fair value of financial instruments and the determination of their fair value hierarchy levels.

5.11 Assets held for sale

In accordance with IFRS 5, assets held for sale exclusively comprise assets which the Group has decided to sell as of the respective reporting date, provided the sale of the property is deemed as highly likely to occur within 12 months of the decision and active marketing efforts have been undertaken.

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell in accordance with IFRS 5, unless IFRS 5 refers to another standard for measurement. Investment property classified as held for sale is measured at fair value pursuant to IAS 40.

5.12 Provisions

Provisions are recognized if there is a legal or constructive obligation as a result of a past event, utilization is likely and the probable amount of the necessary provision can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation as of the reporting date. Provisions are discounted if the effect is material. Effects from the unwinding of the discount on provisions due to the passage of time are recognized in interest expenses. The discount rate is a pre-tax rate that reflects current market assessments.

Provisions for onerous contracts are recognized if the economic benefits expected to be received under the contract are lower than the unavoidable costs of meeting the obligations. The provision is recognized at the lower of the present value of the settlement obligation or any compensation or penalty in the event of exiting from the contract or failing to fulfill it.

Contingent liabilities are possible obligations to third parties that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events or obligations that arise from past events which are unlikely to result in an outflow of resources or whose amount cannot be measured with sufficient reliability. Contingent liabilities are not recognized pursuant to IAS 37.

Pension provisions are calculated for obligations from company pension plans using the projected unit credit method in accordance with IAS 19 *Employee Benefits*, considering the pension obligations known and benefits vested as of the reporting date, including expected increases in salaries and pensions.

5.13 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. To recognize revenue, the criteria of IFRS 15 or IFRS 16 must also be met.

HOWOGE mainly generates revenue from the lease of land, buildings and rental apartments and the associated operating, heating and ancillary costs. It distinguishes between revenue (largely revenue from rents) within the scope of IFRS 16 Leases and revenue from the provision of services or supply of goods that falls within the scope of IFRS 15 Revenue from Contracts with Customers.

5.13.1 Revenue from real estate management

Rental and lease revenue (IFRS 16)

Revenue from the rental and lease (IFRS 16) of real estate is recognized straight line over the term of the agreement where the relevant rental and lease agreements are classified as operating leases.

Revenue from operating costs (IFRS 16)

Operating costs comprising property tax and insurance (building and liability insurance) are also recognized in the statement of comprehensive income straight line over the term of the corresponding agreements as revenue from operating costs (IFRS 16) as a component of revenue from real estate management, but separately from rental and lease revenue (IFRS 16).

5.13.2 Other revenue from real estate management

Revenue from operating and heating costs (IFRS 15)

In addition, HOWOGE also generates revenue (IFRS 15) from payments for operating, heating and ancillary costs if the related services have already been rendered. They are not netted, in accordance with the principal method, in particular due to HOWOGE’s business model under which a high share of services that are relevant for operating costs are rendered in-house and because tenants consider HOWOGE to be primarily responsible for providing the services. HOWOGE also bears an inventory risk in respect of all services not rendered in-house due to the invoicing bases customary in the real estate industry (rental space). The only exceptions are allocated operating costs in connection with cold water and charges for street cleaning and rubbish collection for which HOWOGE acts as an agent within the meaning of IFRS 15 since HOWOGE does not obtain control over the services before they are transferred to the customers or provided for the customers. The relevant allocations are netted with the corresponding expenses.

Services provided to tenants but not yet billed for which HOWOGE acts as the agent are shown under other assets.

Revenue from operating, heating and ancillary costs is determined based on the costs incurred and are equivalent to the contractually agreed transaction price. The corresponding prepayments are due at the beginning of each month. Revenue is recognized over the month. In the subsequent year, the prepayments are netted with the actual operating costs.

Rental income from operating, heating and ancillary costs recognized during the year in relation to which HOWOGE acts as the principal represent contract assets that are recognized separately from the rent receivables (IFRS 15.105, .107). Prepayments additionally give rise to a contract liability. Prepayments received from installments are recognized as contract liabilities. Contract assets and contract liabilities are not netted because services rendered are not allocated to prepayments received at the level of the individual agreements outside of the year-end operating and ancillary cost billing. HOWOGE has begun to establish a process that will allow these items to be netted in the future.

Technical netting of the contract liabilities and contract assets from operating costs and heating costs was performed as of 31 December 2024 for the prepayments received, which was done using a calculated allocation key based on the work in process figures (see note *7.1 Revenue from real estate management and other revenue from real estate management*).

Revenue from management services and other trade

Income from other services comprises revenue from services (such as construction and project management) and third-party management.

Income from other services is recognized as revenue over time if the customer simultaneously receives the benefits from and uses the service or HOWOGE owes an asset which has no alternative use and has an enforceable right to payment. In all other instances, revenue is recognized at a point in time when the customer accepts the service. The transaction price and its maturity are based on the agreed contractual modalities.

Revenue from the in-substance sale of school buildings (IFRS 16)

In fiscal year 2024, income from other services also includes revenue from the in-substance sale of school buildings for the first time. The sale proceeds are recognized at the point in time when the benefits and burdens are transferred. This revenue from the in-substance sale of school buildings is determined on the basis of the calculated rent and corresponds to the contractually agreed transaction price. The revenue recognized at a point in time is subject to discounting because of the contractual term. Due to this discounting to the present value, finance income is generated over the term of the rental agreement.

Other revenue

Group entities receive government grants, including repayment subsidies to fund social housing construction. Rent restrictions apply to the subsidized housing. Expense subsidies that are granted in the form of rent subsidies are recognized in profit or loss as the expenses are incurred. They are presented in other revenue from real estate management under other revenue.

5.13.3 Interest and similar income

Interest income is recognized using the EIR method on an accrual basis.

5.14 Income taxes

Income tax expenses equal the sum of current tax expenses and deferred taxes.

HOWOGE is liable for taxes in Germany only. Estimates are required in some instances to assess the income tax assets and liabilities. It cannot be ruled out that the tax authorities will arrive at a different assessment. To account for the associated uncertainty, uncertain tax assets and liabilities are recognized when HOWOGE considers the probability of occurrence to be greater than 50%. A change in the estimate, e.g., due to final tax assessment notices, has an effect on the current and deferred tax items.

Deferred taxes are recognized for temporary differences between the carrying amounts of all assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences; deferred tax assets are recognized to the extent that it is probable that there will be taxable profits against which the deductible temporary differences can be used or there are deferred tax liabilities. Deferred tax assets also include tax reductions arising from the expected use of existing tax loss carryforwards (or comparable matters) in subsequent years whose realization is sufficiently probable. Deferred tax liabilities and assets are calculated based on the tax rates (and tax laws) expected to be applicable at the time the liability is settled or the asset is realized. The tax provisions in effect as of the reporting date or enacted by the *Bundestag*, the lower house of parliament, and, potentially, by the *Bundesrat*, the upper house of parliament, are used for the calculation. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to settle the liability or realize the asset.

Current and deferred taxes are recognized in profit or loss or in other comprehensive income. Deferred taxes are only offset if there is a legally enforceable right to set off the reported amounts, they exist in respect of the same taxation authority and the realization period is the same. In accordance with the provisions of IAS 12 Income Taxes, deferred tax assets and liabilities are not discounted.

6 Significant accounting judgments, estimates and assumptions

6.1 Exercise of options and judgments

In applying the entity's accounting policies, management exercises options and makes judgments that can significantly affect the amounts recognized in the consolidated financial statements as follows:

- Evaluating whether the investment property acquired in a business combination is a business or the acquisition of an individual asset or group of assets can be subject to judgment.
- HOWOGE measures investment property at fair value. If management had elected to use the cost model as permitted under IAS 40, the carrying amounts of the investment property would differ considerably, as would the corresponding income or expense items.
- The criteria used to evaluate how to classify a financial asset can involve judgment.
- When accounting for leases in accordance with IFRS 16, the assessment of the likelihood of renewal or termination options being exercised can require judgment, in particular if there are no economic incentives to exercise or refrain from exercising options.
- The requirement to incorporate forward-looking information in the calculation of expected credit losses results in the use of judgment with regard to the effect of changes in economic factors on expected credit losses.
- Since a definition of the term "a separate major line of business or geographical area of operations" (IFRS 5) is not specified, judgment may be exercised when it comes to disposal groups in connection with property sales.

6.2 Estimates and assumptions

The preparation of consolidated financial statements requires, to a certain extent, the use of estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the reporting date and the presentation of income and expenses during the reporting year.

The actual amounts can differ from the estimates if the conditions do not develop as expected. In such a case, the assumptions and, where necessary, the carrying amounts of the relevant assets or liabilities are adjusted prospectively.

Specific estimates and assumptions that relate to individual financial statement items are explained in addition in the respective sections of the notes. Assumptions and estimates are continuously reviewed and are based on past experience and other factors, including expectations as to future events which appear reasonable under the circumstances.

The assumptions and estimates entailing a significant risk of an adjustment of carrying amounts of assets and liabilities largely relate to the determination of the fair values and residual values of investment property.

The best indications of the fair value of investment property are current quoted prices for similar properties in an active market. However, as this information is not always available, HOWOGE uses standardized valuation techniques.

See note *8.1 Investment property* for a detailed description of the discounted cash flow (DCF) method applied. For reporting purposes, the respective fair values of the investment property held by HOWOGE are calculated pursuant to IAS 40 in conjunction with IFRS 13. The measurement can be influenced by changes in relevant market conditions, such as current rent levels and the interest rate level, which can have an impact on the capitalization rate (used to calculate the residual value from the most recent cash flow for the DCF calculation) and discount rate (used to discount the cash flows of the forecast horizon). Any changes in the fair value of the investment portfolio are recognized in the Group's profit or loss for the period and can therefore have a significant effect on HOWOGE's financial performance.

Measurement of the financial liabilities at amortized cost using the EIR method takes the expected contractual cash flows into account. Some of the agreements do not have fixed terms. Consequently, the values used for the amount and term of these cash flows are based on assumptions made by management.

In determining the amount of current and deferred taxes, the Group considers the effects of uncertain tax positions and whether additional taxes and interest might be payable. This evaluation is based on estimates and assumptions and can involve several judgments about future events. New information may become available that causes the Group to change its judgments about the appropriateness of the existing tax liabilities; such changes in the tax liabilities will have effects on the tax expense in the period in which such a finding is made.

Tax matters also involve uncertainty in respect of their assessment by the tax authorities. Even if HOWOGE is satisfied that it has presented tax matters correctly and in a legally compliant manner, it cannot be ruled out that tax authorities will arrive at different conclusions in individual cases. If it is likely that tax assessments will change, risk provisions are recognized accordingly. It is otherwise considered not likely that tax risks from prior years will result in any liabilities. An assessment of uncertain tax positions assumes that the tax authorities have full knowledge of all related information when making their examinations.

The calculations are based in particular on past experience of the outcomes of previous tax audits and their effects for the subsequent periods as well as the currently applicable tax legislation and prevailing opinion. As such, there may be deviations from the current estimates in the future.

Deferred tax assets are recognized to the extent that it can be demonstrated that it is probable that taxable profit will be available in the future against which the temporary difference can be utilized. At each reporting date, the deferred tax assets are reviewed and reduced to the extent that it is no longer probable that sufficient taxable income will be available in the future to utilize the deductible temporary differences and tax loss carryforwards.

As part of the application of IFRS 15, determining the timing of satisfaction of performance obligations and determining the stage of completion when recognizing revenue over time can be subject to judgment.

A five-year business plan is used for the purposes of the impairment test in accordance with IAS 36. The estimate of future cash flows for planning is based on the expected income from the use of the asset and the estimated operating costs. These estimates take into account historical data, market analyses and economic conditions. The Company uses assumptions about revenue growth, price trends and cost structures based on the best available information.

Further assumptions and estimates generally relate to determination of uniform useful lives within the Group, assumptions about the underlying value of land and buildings, the recognition and measurement of provisions and the recoverability of future tax relief.

7 Notes to the income statement

7.1 Revenue from real estate management and other revenue from real estate management

in EUR k	2024	2023
Rental and lease revenue (IFRS 16)	403.841	385.211
Revenue from operating costs (IFRS 16)	40.636	38.592
Revenue from real estate management	**444.477**	**423.804**
Revenue from the sale of school buildings (IFRS 16)	167.790	-
Revenue from heating costs (IFRS 15)	80.799	78.674
Revenue from operating costs (IFRS 15)	25.075	28.926
Revenue from management services and other trade	10.546	7.784
Other revenue	3.529	1.889
Other revenue from real estate management	**287.739**	**117.274**
Total revenue	**732.216**	**541.078**

7.1.1 Revenue from real estate management

Rental and lease revenue (IFRS 16) and revenue from operating costs (IFRS 16)

Revenue from real estate management is recognized straight line over the term of the agreement where the relevant rental and lease agreements are classified as operating leases. Total lease income from operating leases comes to EUR 403,841k (2023: EUR 385,211k). Revenue from real estate management also includes revenue from allocable operating costs (property tax, building and liability insurance) of EUR 40,636k (2023: EUR 38,592k).

The future undiscounted lease payments from operating leases are due as follows:

in EUR k	31 Dec 2024	31 Dec 2023
Due within 1 year	447.162	399.210
Between 1 and 2 years	463.749	415.849
Between 2 and 3 years	479.716	436.436
Between 3 and 4 years	501.209	459.820
Between 4 and 5 years	525.661	481.929
More than 5 years	2.903.864	2.717.362

7.1.2 Other revenue from real estate management

Revenue from operating costs (IFRS 15), revenue from heating costs (IFRS 15), revenue from management services and other trade (IFRS 15) and revenue from the in-substance sale of school buildings (IFRS 16)

HOWOGE generates revenue from the transfer of goods and services from the following main areas:

- Operating and heating costs: over time
- Revenue from management services and other trade: over time and at a point in time (see the comments in note *5 Accounting policies*).

Other trade includes the generation of electricity and heat for third parties and administration services provided for third-party properties.

In fiscal year 2024, lease income was classified and accounted for as revenue from finance leases for the first time and related to revenue from the in-substance sale of school buildings. In connection with the handover of the first two-school complex (on the Allee der Kosmonauten site), just under EUR 167,790k in revenue was generated in fiscal year 2024. Corresponding costs of EUR 149,766k were incurred for the construction of the school buildings; these costs are taken to profit or loss when the asset is sold (through the change in inventories). The costs relate to the preparation of construction work, the planning phase and the execution of construction work for the project.

Contract assets and liabilities (IFRS 15)

in EUR k	31 Dec 2024	31 Dec 2023
Current contract assets from operating costs	2.983	6.856
Current contract assets from heating costs	1.790	2.677
Impairment loss (IFRS 9)	-62	-479
Total contract assets	**4.712**	**9.054**
Current contract liabilities from operating costs	17.724	16.329
Current contract liabilities from heating costs	9.974	6.960
Total contract liabilities	**27.698**	**23.289**

Revenue from operating costs relates to contract liabilities of EUR 17,724k (netted) as of 31 December 2024 (31 December 2023: EUR 16,329k). As of the reporting date, they contrasted with contract assets of EUR 2,983k (31 December 2023: EUR 6,856k). Revenue from heating costs relates to contract liabilities of EUR 9,974k (netted) as of the reporting date (31 December 2023: EUR 6,960k). As of the reporting date, they contrasted with assets of EUR 1,790k (31 December 2023: EUR 2,677k).

In fiscal year 2024, net contract liabilities amounted to EUR 12,981k (31 December 2023: EUR 1,332k), which were not recognized in profit or loss.

The decrease in contract assets and the increase in contract liabilities as of the reporting date 31 December 2024 is essentially due to an excess of prepayments received in fiscal year 2024.

7.1.3 Other revenue

Group entities receive government grants, including repayment subsidies to fund social housing construction. Rent restrictions apply to the subsidized housing. Expense subsidies that are granted in the form of rent subsidies are recognized in profit or loss as the expenses are incurred. They are presented in other revenue from real estate management under other revenue. In the fiscal year, corresponding income of EUR 3,551k (2023: EUR 1,994k) was recognized.

See note *8.22 Government grants* for further details.

7.2 Profit or loss from the remeasurement of investment property

Profit or loss from the remeasurement of investment property amounts to EUR -46,926k (2023: EUR -1,179,694k). Accordingly, in connection with the remeasurement, unrealized changes in fair value were recognized in profit or loss in addition to the changes in fair value realized from sales. In the fiscal year, unrealized changes in fair value of EUR -46,926k (2023: EUR -1,179,694k) were recognized in the consolidated statement of comprehensive income.

Rental income and income from residential services related to investment property came to EUR 403,841k in the fiscal year (2023: EUR 385,211k). Operating expenses directly connected with this property came to EUR 46,118k in the fiscal year (2023: EUR 44,927k). These include expenses for maintenance, non-allocable operating costs, personnel expenses from property management and residential services.

The fair value adjustment to residential properties mainly resulted from the adjustment of capitalization rates to reflect the higher level of interest rates. Further adjustments resulted from the commissioning of completed project developments and the assumptions on property market trends used for property valuation. Macroeconomic developments during fiscal year 2024 led to impairments on the properties.

In addition, the overall negative development of the fair value adjustment was generally influenced by the interest rate trend throughout the whole of fiscal year 2024.

7.3 Cost of materials

Including the change in inventories for property and other inventories, the cost of materials is as follows:

in EUR k	**2024**	**2023**
Facility management expenses	166.638	184.260
thereof operating costs	113.799	139.332
thereof maintenance and modernization	46.118	44.927
thereof other cost of purchased services	6.721	-
Expenses for land held for sale	10	0
Cost of other goods and services	7.729	6.725
Total cost of materials	**174.377**	**190.984**
Change in inventories for school construction	238.107	172.783
Cost of materials according to the income statement	**412.484**	**363.767**

The higher change in inventories for school construction reflected in the cost of materials is due to the progress on construction work as part of the School Building campaign and the associated projects. Additions in 2024 amounted to EUR 238.1m (2023: EUR 172.8m). Contrasting effects from the capitalization of the first school construction project (two-school complex on the Allee der Kosmonauten) and other effects totaling EUR -156.3m (net effect of change in inventories: EUR 81.7m (2023: EUR 172.8m) are presented in the “Change in inventories for school construction projects” item of the income statement.

The decrease in facility management expenses in 2024 is related to a stabilization of the related costs compared to prior years. In contrast to the prior year, the full-year effects of higher energy costs, in particular heating costs, no longer applied. The higher change in inventories is due to the progress on construction work as part of the School Building campaign and the associated projects.

7.4 Amortization, depreciation and impairment

in EUR k	**2024**	**2023**
Depreciation of property, plant and equipment	5.757	6.780
Amortization of intangible assets	874	487
Total	**6.630**	**7.266**

Property, plant, and equipment was subject to regular depreciation only. The year-on-year increase in amortization of intangible assets is mainly due to the acquisition of ATOZ Facility Solutions GmbH. An identified order backlog was acquired as part of this business combination and is being amortized on a straight-line basis over a period of three years.

No impairment was recognized in fiscal year 2024.

Depreciation of right-of-use assets presented under property, plant and equipment is shown separately in note *8.3 Property, plant and equipment* and note *8.4 Leases as the lessee*; it amounted to EUR 36k in the fiscal year (2023: EUR 34k).

7.5 Personnel expenses

in EUR k	2024	2023
Wages and salaries	63.835	53.744
Social security costs	12.443	10.366
Pension costs	582	514
Total	**76.860**	**64.624**

Of pension costs, EUR 467k (prior year: EUR 488k) relates to payments into a direct insurance policy or reinsured employee benefit fund. The company pensions are accounted for as defined contributions in accordance with IAS 19. Employer contributions to the statutory pension insurance scheme of EUR 5.6m (2023: EUR 5.0m) were paid in the fiscal year.

On average over the entire year, group headcount developed as follows:

	Ø 2024	Ø 2023
Employees[1]	1.354	1.018
Management board (HOWOGE Wohnungsbaugesellschaft mbH)	2	2
Employees in training[2]	30	32
Total	**1.386**	**1.052**

[1] The category “Employees” comprises the prior-year categories “Salaried employees (including management of subsidiaries)” and “Wage earners”

[2] The category “Employees in training” comprises the two prior-year categories “Trainees” and “Students” The figures in this table also include inactive employees.

By company, the development breaks down as follows:

	Ø 2024	Ø 2023
HOWOGE Wohnungsbaugesellschaft mbH	729	686
HOWOGE Servicegesellschaft mbH	279	268
HOWOGE Reinigung GmbH	130	27
HOWOGE Wärme GmbH	49	46
Kramer+Kramer Bau- und Projektmanagement GmbH	28	25
ATOZ Facility Solutions GmbH	171	-
Total	**1.386**	**1.052**

The increase in headcount in fiscal year 2024 is mainly due to the acquisition of ATOZ Facility Solutions GmbH, which supports and advances HOWOGE’s insourcing strategy, and partly to the growth strategy in the various divisions.

7.6 Other operating income

in EUR k	2024	2023
Reversal of provisions	3.564	7.525
Out-of-period income	754	690
Income from cost allocations	156	169
Recognition of plant and machinery	-	38.387
Miscellaneous other income	7.297	10.257
Total	**11.770**	**57.028**

The decline in other operating income compared to the prior year is mainly due to the recognition of plant and machinery in 2023. Moreover, the special effects from the reversal of provisions for operating costs exempt from billing for December 2022 (reversal in 2023) are no longer included.

Miscellaneous other income includes out-of-period income of EUR 754k, income from the reversal of liabilities of EUR 514k and income from license fees of EUR 188k.

7.7 Other operating expenses

in EUR k	2024	2023
Audit and consulting fees	13.149	9.477
IT costs	12.914	9.780
Non-staff expenses	5.452	4.781
Training costs	3.262	2.745
Advertising and sponsorship costs	1.907	1.493
Insurance premiums	1.886	3.119
Donations	648	350
Contributions to associations	529	506
Out-of-period expenses	495	693
Miscellaneous other operating expenses	9.288	3.314
Total	**49.529**	**36.257**

The increase in expenses compared to the prior year is attributable on the one hand to higher IT costs as well as audit and consulting costs for portfolio acquisitions and on the other hand to the acquisition of ATOZ Facility Solutions GmbH. A further effect in miscellaneous other operating expenses of just under EUR 6,188k resulted from the allocation to provisions for onerous contracts for the fair value adjustments of SEG Buch, which was acquired as of 2 January 2025 with the transfer of benefits and burdens as of the same date.

The auditor’s total fees pursuant to Sec. 314 (1) No. 9a HGB for 2024 include EUR 779k for audit services, EUR 455k for audit-related services and EUR 80k for other services. The fees for audit services comprise the fees for the audit of the consolidated financial statements, the review of the semi-annual financial statements, the audits of the subsidiaries included in the consolidated financial statements and for audit services relating to the companies acquired in the reporting year. The fees for audit-related services were charged for the assurance engagement on the sustainability reporting for the reporting year, the group sustainability statement, the issuance of comfort letters and, among others, the assurance engagement relating to disclosures on the implementation of the “guaranteed basic income” pilot project.

In fiscal year 2024, miscellaneous other operating expenses mainly included a one-time effect from adjustments at HOWOGE Goeckestrasse GmbH.

7.8 Finance income and costs

in EUR k	2024	2023
Finance income from the unwinding of the discount on a lease receivable	41	41
Finance income from the unwinding of the discount on the in-substance sale of school buildings	3.620	-
Finance income from the cash surrender value of insurance policies held	-	5.287
Other finance income	20.706	6.862
Finance income	**24.367**	**12.190**
Finance costs from the cash surrender value of insurance policies held	-526	-
Finance costs from loan liabilities	-57.588	-35.730
Finance costs from lease liabilities	-559	-550
Finance costs from provisions	-26	-54
Amortization of government grants received	-6.661	-3.538
Other finance costs	-2.428	-3.492
Finance costs	**-67.788**	**-43.363**
Net finance costs	**-43.421**	**-31.173**

Interest income increased on the one hand due to a rise in interest on bank balances. Interest income also increased in the fiscal year on account of the in-substance sale of school buildings, which is due to the unwinding of the discount on the corresponding receivables.

Finance costs largely stem from the interest on property financing loans. See note *8.16 Financial liabilities* for the development of current and non-current liabilities.

The income and expenses and gains and losses from financial instruments (net gains and losses) recognized in the income statement break down by measurement category as follows:

	Net gains and losses from interest		Net gains and losses from fair value measurement		Net gains and losses from impairments	
in EUR k	2024	2023	2024	2023	2024	2023
Financial assets (at fair value)	-	-	-526	5.287	-	-
Financial assets (at amortized cost)	20.648	6.855	-	-	-528	-1.388
Financial liabilities (at amortized cost)	-73.840	-46.236	-	-	515	52
Total	**-53.192**	**-39.381**	**-526**	**5.287**	**-14**	**-1.336**

The net gains and losses of the financial assets measured at fair value stem from the performance of the life insurance policies held (cash surrender values of insurance policies held), which were recognized under non-current financial assets, and from their sale in the fiscal year.

The financial assets at amortized cost include bank balances that generated interest income in the fiscal year. The related net gains improved compared to the prior year because market interest rates were higher. Income was also realized from the change in impairment losses recognized in accordance with IFRS 9. This resulted in particular from the lower expected credit loss (ECL) rate and was generated despite the increase in gross receivables in the past fiscal year.

Financial liabilities largely comprise fixed-interest agreements (loans).

7.9 Income taxes

The tax expense and income attributable to income taxes breaks down by origin as follows:

in EUR k	2024	2023 after adjustment[1)]
Current income taxes	29.213	22.222
Out-of-period current income taxes	905	-844
Deferred taxes	11.332	-212.797
Total	**41.450**	**-191.419**

[1)] Please see note 1.3 for more information on the adjustments

On the basis of earnings before taxes and the imputed income taxes, the reconciliation to income taxes is as follows:

in EUR k	2024	2023 after adjustment[1)]
IFRS profit or loss before taxes	181.547	-926.202
Group tax rate in %	30,175%	30,175%
Anticipated tax income/expense	**54.782**	**-279.481**
Trade tax add-backs and deductions	-9.952	-9.000
Non-deductible business expenses	17	9
Tax-free income	-	-693
Effect from tax rate differences	-4.424	93.593
Out-of-period current income taxes	905	-844
Other tax effects	122	4.998
Income taxes according to the statement of comprehensive income	**41.450**	**-191.419**
Effective tax rate in %	**22,78%**	**20,67%**

[1)] Please see note 1.3 for more information on the adjustments

The effects from tax rate differences of EUR 4.4m (2023: EUR 93.6m) and the difference between the applicable tax rate (30.175%) and the effective tax rate (22.78%) are mainly due to the lower taxation of a large number of asset-managing companies. They are only subject to corporate income tax and are exempt from trade tax.

The tax rate used to determine the anticipated tax income/expense is derived from the corporate income tax rate of 15.0% (2023: 15.0%), the solidarity surcharge of 5.5% (2023: 5.5%) and the trade tax rate of 14.35% (2023: 14.35%).

The HOWOGE Group does not fall within the scope of the German Minimum Tax Act ["Mindeststeuergesetz"] as it does not exceed the revenue threshold of EUR 750m as reported in the consolidated financial statements of the ultimate parent company in two of the four immediately preceding fiscal years.

7.10 Other taxes

Other taxes of EUR 16,640k (2023: EUR 16,551k) mainly contain property tax.

8 Notes to the consolidated statement of financial position

8.1 Investment property

The fair values of investment property developed as follows in fiscal years 2024 and 2023:

in EUR k	Residential properties	Undeveloped land	Project development	Hereditary building rights granted to third parties	Total
1 Jan 2024	**12.019.595**	**303.476**	**399**	**1.619**	**12.325.089**
Purchases and other additions	313.651	26.836	15.773	-	356.260
Reclassification between categories	40.580	-47.140	6.560	-	-
Disposals	-17.478	-	-	-	-17.478
Fair value adjustment	17.045	-59.812	-4.132	-27	-46.926
31 Dec 2024	**12.373.394**	**223.360**	**18.599**	**1.592**	**12.616.945**

in EUR k	Residential properties	Undeveloped land	Project development	Hereditary building rights granted to third parties	Total
1 Jan 2023	**12.910.893**	**231.256**	**137.060**	**1.885**	**13.281.094**
Purchases and other additions	155.699	44.313	399	-	200.411
Reclassification between categories	885	170.453	-171.339	-	-
Reclassification from property, plant and equipment	21.085	2.193	-	-	23.279
Fair value adjustment	-1.068.967	-144.740	34.279	-266	-1.179.694
31 Dec 2023	**12.019.595**	**303.476**	**399**	**1.619**	**12.325.089**

Additions to investment property amounted to EUR 356,260k in the fiscal year. The fair values of investment property are all assigned to Level 3 of the fair value hierarchy (IFRS 13). The property was reassessed by the appraiser CBRE GmbH, Frankfurt am Main, as of 31 December 2024.

In the fiscal year (as in the prior year), there were no additions from acquisitions by way of business combinations within the meaning of IFRS 3.

The hereditary building rights are hereditary building rights granted to third parties for land owned by the Group, for which HOWOGE is the lessor and which are classified as an operating lease (IFRS 16).

The net valuation effect from adjustments to fair value related to portfolio property (net) in 2023 and 2024 and is included in the profit or loss from the remeasurement of investment property.

The situation on the real estate markets continues to be shaped by low returns on purchase prices. The selected valuation methods account for both the general market environment and the continued strength of HOWOGE's operating activities.

When determining the fair values of residential properties using the discounted cash flow (DCF) method, lease payments for hereditary building rights granted to the Group are included in cash flows. Therefore, the corresponding lease liabilities must be added for the investment property recognized at fair value in the statement of financial position pursuant to IAS 40.77:

in EUR k	31 Dec 2024	31 Dec 2023
Fair value according to external appraisal	12.569.685	12.277.637
Adjustments to lease liabilities	47.259	47.451
Fair value in the statement of financial position	**12.616.945**	**12.325.089**

For undeveloped land, measurement is based on the land values.

The following table shows the valuation technique used in measuring the fair value of investment property, and the significant unobservable inputs.

The sensitivity and valuation inputs analysis includes both investment property and assets held for sale as these are measured at fair value.

The factors take into account current developments, in particular the rent price controls ["Mietpreisbremse"] in Berlin.

The valuation inputs were as follows as of 31 December 2024 and as of 31 December 2023:

Valuation inputs as of 31 December 2024	**Fair value (in EUR k)**	**Adjustment (owner occupation, leasing and assets held for sale)**	**Measurement in accordance with IAS 40**	**Valuation method**	**Market rent EUR/sqm or parking space per month min/average/max**	**Maintenance costs EUR/sqm or parking space per year min/average/max**	**Administrative costs EUR/unit or parking space p.a. or % of GRI p.a. min/average/max**	**Stabilized vacancy rate in % min/average/max**
Residential properties	12.422.850	-49.457	12.373.393	DCF	-	-	-	-
Residential	-	-	-	-	6,50/8,53/20,00	2,90/12,55/16,05	275,00/287,00/450,00	0,00/0,50/100,00
Commercial (office/retail/ other commercial use)	-	-	-	-	0,50/13,85/43,00	2,40/12,39/16,05	3,00 %	-
Garages	-	-	-	-	10,00/59,45/142,50	17,65/87,63/88,25	46,75	-
Outdoor parking spaces	-	-	-	-	10,00/33,19/90,00	7,55/37,63/37,75	46,75	-
Undeveloped land/ hereditary building rights granted to third parties	224.952	-	224.952	Capitalization of earnings method/sales comparison approach	-	-	-	-
Project developments	18.599	-	18.599	Residual value/carry- ing amount	-	-	-	-
Residential	-	-	-	-	18,00/20,48/21,00	9,00	2,50	-
Commercial (office/retail/ other commercial use)	-	-	-	-	18,00	7,50	-	-
Garages	-	-	-	-	-	-	-	-
Outdoor parking spaces	-	-	-	-	60,00	30,00	-	-
Total portfolio (IAS 40)	**12.666.402**	**-49.457**	**12.616.945**	-	-	-	-	-

	Discount rate in % min/av- erage/max	**Capitalization rate in % min/average/max**	**Anticipated development of rents from year 1 to 5 in % min/aver- age/max**	**Anticipated development of rents from year 6 to 10 in % min/aver- age/max**
Residential properties	3,08/4,8/8,05	1,18/2,76/6,25	1,20/2,98/3,30	1,00/1,99/2,20
Undeveloped land/ hereditary building rights granted to third parties	-	-	-	-
Project developments	-	2,25/3,30/3,35	-	-

The valuation inputs were as follows as of 31 December 2024 and as of 31 December 2023:

Valuation inputs as of 31 December 2023	**Fair value (in EUR k)**	**Adjustment (owner occupation, leasing and assets)**	**Measurement in accordance with IAS 40**	**Valuation method**	**Market rent EUR/sqm or parking space per month min/average/max**	**Maintenance costs EUR/sqm or parking space per year min/average/max**	**Administrative costs EUR/unit or parking space p.a. or % of GRI p.a. min/average/max**	**Stabilized vacancy rate in % min/average/max**
Residential properties	12.046.993	-27.398	12.019.595	DCF	-	-	-	-
Residential	-	-	-	-	6,50/8,24/20,00	2,80/12,09/15,50	260,00/272,00/450,00	0,00/0,50/100,00
Commercial (office/retail/ other commercial use)	-	-	-	-	0,25/7,57/40,00	2,30/11,92/15,50	3,00 %	-
Garages	-	-	-	-	10,00/59,08/142,50	17,00/81,03/85,00	45,00	-
Outdoor parking spaces	-	-	-	-	10,00/32,00/85,00	7,30/36,31/36,50	45,00	-
Undeveloped land/ hereditary building rights granted to third parties	305.095	-	305.095	Capitalization of earnings method/sales comparison approach	-	-	-	-
Project developments	399	-	399	Residual value/carry-ing amount	-	-	3,50/4,30/5,00	-
Residential	-	-	-	-	-	-	-	-
Commercial (office/retail/ other commercial use)	-	-	-	-	-	-	-	-
Garages	-	-	-	-	-	-	-	-
Outdoor parking spaces	-	-	-	-	-	-	-	-
Total-portfolio (IAS 40)	**12.352.487**	**-27.398**	**12.325.089**	-	**-**	**-**	**-**	**-**

	Discount rate in % min/av-erage/max	**Capitalization rate in % min/average/max**	**Anticipated development of rents from year 1 to 5 in % min/aver-age/max**	**Anticipated development of rents from year 6 to 10 in % min/aver-age/max**
Residential properties	2,93/4,67/7,88	1,13/2,68/6,08	1,20/2,98/3,30	1,00/1,99/2,20
Undeveloped land/ hereditary building rights granted to third parties	-	-	-	-
Project developments	-	0,20/1,93/3,40	-	-

The following sensitivities arose as of 31 December 2024 and as of 31 December 2023:

Sensitivity analysis as of 31 December 2024	Fair value (in EUR k)	Adjustment (owner occupation, leasing, assets held for sale)	Measure-ment in ac-cordance with IAS 40	Valuation method	Capitalization rate sensitivity					
					- 0,25%			- 0,25%		
					Fair value (in EUR k)	Absolute variance	Percentage variance	Fair value (in EUR k)	Absolute variance	Percentage variance
Residential properties	12.422.850	-49.457	12.373.393	DCF	11.604.828	-820.041	-6,6%	13.417.616	992.747	8,0%
Undeveloped land/ hereditary building rights granted to third parties	224.952	-	224.952	Capitalization of earnings method/sales comparison approach	224.952	-	-	224.952	-	-
Project developments	18.599	-	18.599	Residual value	18.599	-	-	18.599	-	-
Total portfolio (IAS 40)	**12.666.402**	**-49.457**	**12.616.945**	**-**	**11.848.379**	**-820.041**	**-6,6%**	**13.661.167**	**992.747**	**8,0%**

Sensitivity analysis as of 31 December 2024	Fair value (in EUR k)	Adjustment (owner occupation, leasing, assets held for sale)	Measure-ment in ac-cordance with IAS 40	Valuation method	Discount rate sensitivity					
					- 0,25%			- 0,25%		
					Fair value (in EUR k)	Absolute variance	Percentage variance	Fair value (in EUR k)	Absolute variance	Percentage variance
Residential properties	12.422.850	-49.457	12.373.393	DCF	12.165.189	-259.680	-2,09%	12.692.004	267.135	2,2%
Undeveloped land/ hereditary building rights granted to third parties	224.952	-	224.952	Capitalization of earnings method/sales comparison approach	224.952	-	-	224.952	-	-
Project developments	18.599	-	18.599	Residual value	18.599	-	-	18.599	-	-
Total portfolio (IAS 40)	**12.666.402**	**-49.457**	**12.616.945**	**-**	**12.408.741**	**-259.680**	**-2,1%**	**12.935.555**	**267.135**	**2,2%**

Sensitivity analysis as of 31 December 2024	Fair value (in EUR k)	Adjustment (owner occupation, leasing, assets held for sale)	Measure-ment in ac-cordance with IAS 40	Valuation method	Market rent sensitivity					
					- 0,25%			- 0,25%		
					Fair value (in EUR k)	Absolute variance	Percentage variance	Fair value (in EUR k)	Absolute variance	Percentage variance
Residential properties	12.422.850	-49.457	12.375.412	DCF	12.557.815	132.946	1,1%	12.285.710	-139.159	-1,1%
Undeveloped land/ hereditary building rights granted to third parties	224.952	-	224.952	Capitalization of earnings method/sales comparison approach	224.952	-	-	224.952	-	-
Project developments	18.599	-	18.599	Residual value	18.599	-	-	18.599	-	-
Total portfolio (IAS 40)	**12.666.402**	**-49.457**	**12.616.945**	**-**	**12.801.366**	**132.946**	**1,1%**	**12.529.262**	**-139.159**	**-1,1%**

Sensitivity analysis as of 31 December 2023	Fair value (in EUR k)	Adjustment (owner occupation, leasing, assets held for sale)	Measure-ment in ac-cordance with IAS 40	Valuation method	Capitalization rate sensitivity					
					- 0,25%			- 0,25%		
					Fair value (in EUR k)	Absolute variance	Percentage variance	Fair value (in EUR k)	Absolute variance	Percentage variance
Residential properties	12.046.993	-27.398	12.019.595	DCF	11.355.646	-826.447	-6,8%	13.183.287	1.001.193	8,2%
Undeveloped land/ hereditary building rights granted to third parties	305.095	-	305.095	Capitalization of earnings method/sales comparison approach	305.095	-	-	305.095	-	-
Project developments	399	-	399	Residual value	-	-	-	-	-	-
Total portfolio (IAS 40)	**12.352.487**	**-27.398**	**12.325.089**	**-**	**11.660.741**	**-826.447**	**-6,8%**	**13.488.382**	**1.001.193**	**8,2%**

Sensitivity analysis as of 31 December 2023	Fair value (in EUR k)	Adjustment (owner occupation, leasing, assets held for sale)	Measure-ment in ac-cordance with IAS 40	Valuation method	Discount rate sensitivity					
					- 0,25%			- 0,25%		
					Fair value (in EUR k)	Absolute variance	Percentage variance	Fair value (in EUR k)	Absolute variance	Percentage variance
Residential properties	12.046.993	-27.398	12.019.595	DCF	11.926.065	-256.028	-2,1%	12.444.119	262.026	2,2%
Undeveloped land/ hereditary building rights granted to third parties	305.095	-	305.095	Capitalization of earnings method/sales comparison approach	305.095	-	-	305.095	-	-
Project developments	399	-	399	Residual value	-	-	-	-	-	-
Total portfolio (IAS 40)	**12.352.487**	**-27.398**	**12.325.089**		**12.231.160**	**-256.028**	**-2,1%**	**12.749.214**	**262.026**	**2,1%**

Sensitivity analysis as of 31 December 2023	Fair value (in EUR k)	Adjustment (owner occupation, leasing, assets held for sale)	Measure-ment in ac-cordance with IAS 40	Valuation method	Market rent sensitivity					
					- 0,25%			- 0,25%		
					Fair value (in EUR k)	Absolute variance	Percentage variance	Fair value (in EUR k)	Absolute variance	Percentage variance
Residential properties	12.046.993	-27.398	12.019.595	DCF	12.315.471	133.378	1,1%	12.044.404	-137.689	-1,1%
Undeveloped land/ hereditary building rights granted to third parties	305.095	-	305.095	Capitalization of earnings method/sales comparison approach	305.095	-	-	305.095	-	-
Project developments	399	-	399	Residual value	-	-	-	-	-	-
Total portfolio (IAS 40)	**12.352.487**	**-27.398**	**12.325.089**		**12.620.566**	**133.378**	**1,1%**	**12.349.499**	**-137.689**	**-1,1%**

8.2 Prepayments on investment property

Prepayments on investment property include prepayments on property under construction, as part of construction projects, measured on the basis of construction progress, and prepayments for purchases of existing property. Assets under construction are recognized at cost. Prepayments decreased by EUR 27.4m year on year to EUR 69.1m in total. Properties for which prepayments are recognized are not depreciated. After completion, they are reclassified on the basis of the type of use.

8.3 Property, plant and equipment

in EUR k	Land and land rights with residential buildings	Land and land rights with commercial and other buildings	Land and land rights without buildings	Plant and machinery	Assets under construction	Construction preparation costs	Furniture, fixtures and office equipment	Right-of-use assets	Prepayments	Total
Cost										
1 Jan 2023	**5.488**	**38.716**	**90**	**-**	**4.757**	**15.529**	**16.837**	**172**	**-**	**81.590**
Additions	1.685	247	1.778	43.432	17.349	15.927	1.495	20	-	81.933
Disposals	-14.079	-	-6.445	-561	-27.752	-8.748	-217	-	-	-57.802
Reclassification	12.394	-	4.668	-	5.646	-22.708	-	-	-	-
31 Dec 2023	**5.488**	**38.963**	**91**	**42.871**	**-**	**-**	**18.115**	**192**	**-**	**105.721**
Additions	-	101	-	9.003	-	-	1.156	71	120	10.451
Disposals	-216	-130	-12	-705	-	-	-10	-	-	-1.073
31 Dec 2024	**5.272**	**38.934**	**79**	**51.169**	**-**	**-**	**19.261**	**263**	**120**	**115.099**
Depreciation and impairment										
1 Jan 2023	**1.162**	**9.103**	**-**	**-**	**-**	**-**	**12.586**	**93**	**-**	**22.943**
Depreciation and impairment for the fiscal year	1.589	304	-	3.194	-	-	1.659	34	-	6.780
Disposals	-	-	-	-546	-	-	-207	-	-	-753
Reclassification	1.145	-1.145	-	-	-	-	-	-	-	-
31 Dec 2023	**3.896**	**8.262**	**-**	**2.648**	**-**	**-**	**14.038**	**127**	**-**	**28.970**
Depreciation and impairment for the fiscal year	53	808	-	3.516	-	-	1.344	36	-	5.757
Disposals	-109	352	-	-433	-	-	-9	-	-	-199
31 Dec 2024	**3.840**	**9.421**	**-**	**5.731**	**-**	**-**	**15.373**	**164**	**-**	**34.527**
Net carrying amount										
31 Dec 2024	**1.433**	**29.513**	**79**	**45.438**	**-**	**-**	**3.888**	**100**	**120**	**80.571**
31 Dec 2023	**1.592**	**30.701**	**91**	**40.223**	**-**	**-**	**4.077**	**65**	**-**	**76.751**

The development of property, plant and equipment is mainly characterized by depreciation and additions to plant.

8.4 Leases as the lessee

The Group has entered into leases of vehicles, parking spaces, hereditary building rights and office equipment, furniture and fixtures as a lessee. The practical expedient for leases of low-value assets pursuant to IFRS 16.5(b) is used for the leases of office equipment, furniture and fixtures. The lease payments related to these leases are recognized as expenses on a straight-line basis over the term of the lease.

The following amounts were recognized in profit or loss in the reporting period:

Lease expenses in EUR k	2024	2023
Depreciation of right-of-use assets	36	34
Interest expenses on lease liabilities	559	550
Expense relating to leases of low-value assets	77	81
Total amount recognized in profit or loss	**672**	**665**

Depreciation of right-of-use assets relates to leased vehicles. Interest expenses were incurred in connection with hereditary building rights granted to the Group as well as leased vehicles. The right-of-use assets corresponding to the hereditary building rights granted to the Group were classified as investment property and valued accordingly on subsequent measurement.

In the fiscal year, there were outflows of cash and cash equivalents of EUR 1,056k (2023: EUR 1,018k) for leases. No variable lease payments were made.

The development of right-of-use assets for vehicle leases and waste vacuum cleaners is disclosed in note *8.3 Property, plant and equipment*, while the development of hereditary building rights is disclosed in note *8.1 Investment property*.

Maturity of lease liabilities (undiscounted) in EUR k	31 Dec 2024	31 Dec 2023
Within 12 months	922	940
1 to 3 years	1.823	1.843
3 to 5 years	1.814	1.821
More than 5 years	54.777	55.975
Total	**59.336**	**60.578**

Lease liabilities are reported as non-current and current financial liabilities in the statement of financial position based on their maturity.

The following table shows the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings; note *8.16 Financial liabilities*) and the movements during the fiscal year:

Development of lease liabilities in EUR k	**2024**	**2023**
As of 1 January	**35.726**	**34.730**
Additions	80	1.426
Accretion of interest	559	550
Payments	-999	-979
As of 31 December	**35.367**	**35.726**
thereof current	991	975
thereof non-current	34.377	34.751

Most (EUR 35,263k) of the lease liabilities relate to hereditary building rights. Hereditary building rights associated with these lease liabilities are reported under "Investment property".

8.5 Leases as the lessor

8.5.1 Investment property

In line with the statutory requirements, rental agreements for the residential properties contain options for the tenants to terminate at short notice. These agreements are classified as operating leases in accordance with IFRS 16 because substantially all the risks and rewards related to the properties are retained by HOWOGE. The same applies to the current agreements for commercial units (commercial use of a proportion of the residential properties).

Operating lease income is recognized in the statement of comprehensive income under rental and lease revenue straight line over the term of the corresponding agreements.

Income from the in-substance sale of school buildings is classified as income from finance leases as substantially all the risks and rewards related to the property are transferred to the lessee.

Income from finance leases is discounted upon sale and recognized as revenue. For undiscounted lease payments from operating leases in which HOWOGE is the lessor, see note *7.1 Revenue from real estate management and other revenue from real estate management*.

8.5.2 Subleases

Some of the leased parking spaces and hereditary building rights granted to the Group have been subleased. As the terms of the subleases within the meaning of IFRS 16 and the term of the underlying leases match, HOWOGE has classified the subleases as finance leases.

Income of EUR 65k (2023: EUR 68k) was generated from the subletting of leased parking spaces and hereditary building rights granted to the Group. The following table shows the maturity of the undiscounted lease receivables (net investment) from subleases:

Maturity of lease receivables (undiscounted) in EUR k	31 Dec 2024	31 Dec 2023
Within 12 months	61	65
1 to 2 years	61	61
2 to 3 years	58	61
3 to 4 years	54	58
4 to 5 years	54	54
More than 5 years	3.421	3.475
Total	**3.710**	**3.775**

Finance income from the recognized net investment is discussed in note *7.8 Finance income and costs* in connection with interest income.

8.6 Intangible assets

Intangible assets comprise purchased software licenses, capitalizable order backlog and goodwill.

in EUR k	Software	Goodwill	Order backlog	Total
Cost				
1 Jan 2023	**16.734**	**357**	**-**	**17.091**
Additions	431	-	-	431
Disposals	-	-	-	-
31 Dec 2023	**17.165**	**357**	**-**	**17.523**
Change in the basis of consolidation	1.130	2.931	-	4.062
Additions	1.887	-	838	2.725
Disposals	-	-	-	-
31 Dec 2024	**20.183**	**3.288**	**838**	**24.310**
Amortization and impairment				
1 Jan 2023	**15.443**	**357**	**-**	**15.800**
Amortization for the fiscal year	487	-	-	487
Disposals	-	-	-	-
31 Dec 2023	**15.931**	**357**	**-**	**16.288**
Amortization for the fiscal year	729	-	144	874
Disposals	-	-	-	-
31 Dec 2024	**16.660**	**357**	**144**	**17.161**
Net carrying amount				
31 Dec 2024	**3.523**	**2.931**	**693**	**7.148**
31 Dec 2023	**1.235**	**-**	**-**	**1.235**

The additions in the fiscal year mainly resulted from the acquisition of ATOZ Facility Solutions GmbH (ATOZ) as of 1 August 2024, the recognition of goodwill and the capitalized order backlog. In addition, internally generated software with a three-year useful life was purchased. The order backlog is being amortized straight line over its normal useful life of three years. Goodwill from the first-time consolidation of ATOZ as of 1 August 2024 will be tested annually for impairment in accordance with IAS 36. ATOZ is a facility management service provider focusing on infrastructural and technical facility management. By acquiring 100% of the shares in cash, HOWOGE has secured long-term bundled services for around 30,000 apartments in its own portfolio. There are no contingent considerations. The acquisition optimally caters to the Group's insourcing strategy, as the service portfolio of ATOZ already includes electrics, plumbing, painting, carpentry, residential environment services, heating and maintenance. Factors leading to the recognition of goodwill were in particular the aforementioned synergies that will enable HOWOGE to realize cost savings in the future as external service providers are no longer needed. It also greatly reduces recruiting needs and improves HOWOGE's response times. In addition, operations are to be enhanced and additional value created by providing services to sister companies. The purchase price for the company amounted to EUR 2,625k and factored in future synergies. A shareholder loan of EUR 500k was also acquired. There are no non-controlling interests. Overall, goodwill came to EUR 2,931k as of the acquisition date. Besides goodwill, internally generated, capitalized software with a fair value of EUR 1,129k and an order backlog identified as part of the purchase price allocation of EUR 838k were also acquired. As of the acquisition date, the acquired property, plant and equipment was valued at EUR 119k and inventories at EUR 127k. In addition, receivables of EUR 1,498k, cash on hand of EUR 960k and prepaid expenses of EUR 109k were acquired. They contrast with provisions of EUR 2,598k, liabilities of EUR 1,884k and deferred tax liabilities of EUR 605k. Remeasured equity amounted to EUR -306k as of 1 August 2024. The acquiree's revenue since the acquisition date, which is included in the consolidated statement of comprehensive income for the relevant period, was EUR 5,765k. The loss contributed by the company amounted to EUR 2,684k. Assuming that the acquisition date for all business combinations that took place during the fiscal year had been at the beginning of the current fiscal year, the revenue of the combined entity for the current period would have come to EUR 13,546k. The loss for that period amounts to EUR 2,799k. No adjustments to goodwill were recognized in profit or loss. As ATOZ is the smallest identifiable cash-generating unit, a goodwill impairment test was performed at this level. The company's five-year plan was used as the basis for this regular annual goodwill impairment test as of the reporting date 31 December 2024. The plan is based on estimates regarding the development of operations in terms of future revenue, expenses and margins, considering current market trends. The impairment test confirmed the recoverability of goodwill. The average underlying total cost of capital after tax is 6.6% and is based on the risk-free interest rate, a market risk premium and a levered beta. It is consistent with that of the peer group. A sensitivity analysis using a total cost of capital of up to 10.4% likewise did not result in any need to record an impairment loss. This was based on a growth rate of 1%. The recoverable amount, which is derived from the value in use, was EUR 13,784k as of 31 December 2024.

8.7 Financial assets and financial liabilities

The following tables present the carrying amounts and the fair values of financial assets and financial liabilities; current and non-current items are combined. The relevant measurement categories pursuant to IFRS 9 Financial Instruments as well as the categories of the three-level hierarchy relevant for determining the fair value pursuant to IFRS 13 Fair Value Measurement are also shown. Financial assets and financial liabilities are generally valued according to Level 2 of the fair value hierarchy, unless stated otherwise in the following tables.

Measurement categories as of 31 December 2024

in EUR k	IFRS 9 measurement category	Carrying amount 31 Dec 2024	Fair value 31 Dec 2024	thereof Level 1	thereof Level 2	thereof Level 3
Financial assets	-	2.019	2.019	-	-	-
thereof in scope:						
Investments	At fair value through profit or loss	-	-	-	-	-
thereof not in scope:						
Non-current assets from subleases	-	2.019	2.019	-	-	-
thereof in scope:						
Rental and lease receivables	Amortized cost	208.964	08.964	-	-	-
Receivables from other trade	Amortized cost	2.754	2.754	-	-	-
Other financial assets	Amortized cost	6.232	6.232	-	-	-
Cash and cash equivalents	Amortized cost	645.198	645.198	-	-	-
Total	**-**	**865.167**	**865.167**	**-**	**-**	**-**
Financial liabilities	-	4.823.198	4.392.484	1.339.542	3.017.473	-
thereof in scope:						
Bonds	Amortized cost	1.500.843	1.339.542	1.339.542	-	-
Liabilities to banks	Amortized cost	3.093.586	2.835.469	-	2.835.469	-
Liabilities to shareholders	Amortized cost	193.300	182.004	-	182.004	-
Other financial liabilities	Amortized cost	101	101	-	-	-
thereof not in scope:						
Lease liabilities	-	35.367	35.367	-	-	-
thereof in scope:						
Rental and lease liabilities	Amortized cost	22.964	22.964	-	-	-
Trade payables	Amortized cost	131.492	131.492	-	-	-
Other liabilities	-	133.390	133.390	-	-	-
thereof in scope:						
Other financial liabilities	Amortized cost	6.023	6.023	-	-	-
Total	**-**	**5.111.044**	**4.680.330**	**1.339.542**	**3.017.473**	**-**
Thereof aggregated by IFRS 9 measurement category:						
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Financial assets at amortized cost	-	863.149	-	-	-	-
Financial liabilities at amortized cost	-	4.948.309	-	-	-	-

Measurement categories as of 31 December 2023

in EUR k	IFRS 9 measurement category	Carrying amount 31 Dec 2023	Fair value 31 Dec 2022	thereof Level 1	thereof Level 2	thereof Level 3
Financial assets	-	97.053	97.053	-	-	95.013
thereof in scope:						
Investments	At fair value through profit or loss	95.013	95.013	-	-	95.013
thereof in scope:						
Non-current assets from subleases	-	2.040	2.040	-	-	-
thereof in scope:						
Rental and lease receivables	Amortized cost	40.057	40.057	-	-	-
Receivables from other trade	Amortized cost	474	474	-	-	-
Other financial assets	Amortized cost	4.985	4.985	-	-	-
Cash and cash equivalents	Amortized cost	273.650	273.650	-	-	-
Total	**-**	**416.219**	**416.219**	**-**	**-**	**95.013**
Financial liabilities	-	4.257.643	3.782.827	1.479.715	2.267.249	-
thereof in scope:						
Bonds	Amortized cost	1.693.623	1.479.715	1.479.715	-	-
Liabilities to banks	Amortized cost	2.393.353	2.144.705	-	2.144.705	-
Liabilities to shareholders	Amortized cost	134.804	122.544	-	122.544	-
Other financial liabilities	Amortized cost	137	137	-	-	-
thereof not in scope:						
Lease liabilities	-	35.726	35.726	-	-	-
thereof in scope:						
Rental and lease liabilities	Amortized cost	17.137	17.137	-	-	-
Trade payables	Amortized cost	121.768	121.768	-	-	-
Other liabilities	-	14.027	14.027	-	-	-
thereof in scope:						
Other financial liabilities	Amortized cost	5.396	5.396	-	-	-
Total	**-**	**4.410.574**	**3.935.758**	**1.479.715**	**1.479.715**	**-**
Thereof aggregated by IFRS 9 measurement category:						
Financial assets at fair value through profit or loss	-	95.013	-	-	-	-
Financial assets at amortized cost	-	319.166	-	-	-	-
Financial liabilities at amortized cost	-	4.366.217	-	-	-	-

For assets related to contracts with customers (IFRS 15) and leases (IFRS 16) see the relevant notes (*8.4 Leases as the lessee, 8.5 Leases as the lessor and 7.1 Revenue from real estate management and other revenue from real estate management*).

8.8 Fair value of financial instruments

The fair value of financial instruments recognized at fair value through profit or loss in the statement of financial position and for which no quoted prices on active markets are available for identical instruments (Level 1) or similar instruments is determined using a financial valuation method provided by insurers, in which the relevant inputs are based on unobservable market data (Level 3).

The fair values of financial instruments not recognized at fair value in the statement of financial position are determined as follows:

- The fair value of liabilities to banks and other financial liabilities is determined as the present value of future cash inflows and outflows assuming an interest rate for an equivalent maturity. The latter is derived from a risk-free component and a HOWOGE-specific risk discount.
- The fair value of the liabilities from the bonds issued is derived from the prices traded in the market.
- In all other cases, due to the short-term maturities of trade receivables not subject to factoring agreements, the carrying amounts of trade payables, other financial assets as well as cash and cash equivalents as of the reporting date do not deviate significantly from their fair values.

There were no reclassifications between Level 1 and Level 2 in the reporting period.

8.9 Collateral

In the fiscal year, 18 long-term life insurance policies with a value of EUR 94,487k (31 December 2023: EUR 95,013k) were sold. They were previously recognized as financial assets. The claims from these insurance policies had been assigned to HOWOGE in full and assigned as collateral for a credit line granted (EUR 77m).

8.10 Risk management for financial instruments

The HOWOGE Group is exposed to credit risks and liquidity risks due to its business activities and related financing. These risks are managed as described below.

Internal settlement risks are mitigated by strict functional segregation of responsibilities.

All relevant risks and risk management measures are systematically identified, categorized and documented electronically in the course of a half-yearly risk inventory. The aim is to identify and monitor material risks and going concern risks at an early stage. For this purpose, standard risks are documented in a risk catalog and concrete issues from which specific individual risks arose are summarized in a half-yearly risk report to the management board. Pursuant to the articles of association, specific individual risks starting from a threshold of EUR 2.5m are also communicated to the supervisory board in a half-yearly report. Additionally, there is a group-wide ad hoc reporting obligation for significant changes in the risk situation. Risk assessment is aimed at quantifying significant risks. If this does not seem possible or reasonable, at least a qualitative estimate is made for each case in accordance with a standardized format.

8.10.1 Credit risk

The Group is exposed to credit risk due to the possibility of a counterparty of a financial asset not being able to meet its obligations. The credit risks to the Group mainly arise from operating activities and also from non-current financial assets.

The maximum credit risk is equal to the carrying amounts. The carrying amounts of trade receivables and rental receivables as well as financial assets from contracts with customers contain a loss allowance for lifetime expected credit losses.

The Group only enters into business relationships with banks that have good to excellent credit ratings.

In terms of operating performance, potential credit risks from portfolio management are considered to be low. The implemented rent management system ensures prompt collection of due rents and enables systematic identification of rent arrears and dunning. In recent years, support for tenants in default and collaboration with public authorities to avoid evictions have been expanded. Overall, the potential effects on the Group are therefore considered to be low.

Portfolio analyses and market studies are performed regularly with regard to market and location in order to identify any credit risks at an early stage. The results do not point to any decline in demand in Berlin. Due to the current market situation, the risk of an increase in rent losses and vacancies is still considered to be low. Additionally, business relationships with customers and lessees are exposed to a low credit risk due to the contractual arrangements. Such relationships are generally settled by payments made in advance. As a rule, rental receivables are already past due on first-time recognition, but can still be realized for the most part. Since rental receivables and contract assets relate to a mostly homogeneous customer base, the expected credit losses are determined based on historical default rates, adjusted for future expectations. In the fiscal year, the first school construction project was completed and an in-substance sale was made in the form of a finance lease pursuant to IFRS 16. This contract was concluded with the State of Berlin. Here, too, the credit risk is assumed to be low due to the State of Berlin’s stable investment grade rating. Rental and lease receivables are secured in the amount of EUR 72,151k (2023: EUR 68,861k).

Loss allowances for rental and lease receivables are presented in the following table:

in EUR k	2024	2023
As of 1 January	**6.995**	**4.646**
Allocation	17.528	12.310
Reversal	-19.878	-11.560
Change in calculation parameters	2.271	2.735
Utilization	-752	-1.137
As of 31 December	**6.164**	**6.995**

Loss allowances for contract assets are presented below:

in EUR k	2024	2023
As of 1 January	**479**	**1.358**
Allocation	62	479
Reversal	-479	-1.358
As of 31 December	**62**	**479**

The changes in loss allowances through allocations and reversals relate to new or settled receivables that led to a change in the gross carrying amount.

In fiscal year 2024, expected credit losses determined using the simplified approach amounted to 60% for rental and lease receivables (31 December 2023: 60%) and around 1.3% for contract assets (31 December 2023: 5.0%). Financial assets that are individually assessed and subject to loss allowances have a probability of default of around 63.9% (31 December 2023: 78.0%). No significant expected credit losses within the meaning of IFRS 9 were identified for the other financial assets based on historical data.

The Group is not exposed to any significant credit risk concentrations.

8.10.2 Interest rate and currency risk

There is no risk arising from increasing interest rates for interest-bearing financial liabilities, since all loans and bonds entered into are subject to a fixed-interest arrangement.

Additionally, the Group is not exposed to any risk arising from fluctuations in the fair value of longer-term financial liabilities due to changes in fixed interest rates on the capital market, since the capital providers cannot assert any rights to early repayments and the financial liabilities are recognized at amortized cost.

All transactions are denominated exclusively in euros, therefore there are no currency risks for the Group.

8.10.3 Liquidity risk

The operating activities of the group companies require financing requirements to be met cost-effectively and adequately. Central cash management therefore prepares a regular liquidity forecast.

Available financial instruments comprising bilateral loans are used to cover the financial requirements.

Investment activities of the group companies are exclusively financed by loans from banks or shareholders. There are no cash pool agreements with group companies. If specific events lead to an unexpected financing requirement, the HOWOGE Group can draw on existing liquidity.

The Group had cash and cash equivalents of EUR 645,198k as of 31 December 2024 (31 December 2023: EUR 273,651k). There are credit lines at Aareal Bank AG for a total of EUR 20.0m, at DKB Bank for a total of EUR 32.5m, at Berliner Sparkasse for a total of EUR 50.0m and at BerlinHyp for a total of EUR 100.0m, which had not been utilized as of the reporting date apart from EUR 1.0m in guarantees. In addition, further loans were agreed with various banks with a total credit line of EUR 456.0m, of which EUR 50.0m has been disbursed to date.

Undiscounted cash outflows arising from financial liabilities can be classified by residual term based on the contractually agreed maturities as follows:

31 Dec 2024 in EUR k	**Up to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Bonds	22.778	588.005	1.043.584	**1.654.367**
Liabilities to banks[1)]	360.853	1.101.026	2.118.742	**3.580.621**
Liabilities to shareholders[1)]	2.540	204.230	-	**206.770**
Rental and lease liabilities	22.578	-	-	**22.578**
Trade payables	9.736	14.665	13	**24.414**
Other financial liabilities	6.726	-	-	**6.726**
Total	**425.210**	**1.907.926**	**3.162.340**	**5.495.476**

[1)] Liabilities to banks and shareholders comprise interest liabilities

31 Dec 2023 in EUR k	**Up to 1 year**	**1 to 5 years**	**more than 5 years**	**Total**
Bonds	511.183	544.642	739.944	**1.795.769**
Liabilities to banks[1)]	286.844	756.573	1.675.978	**2.719.395**
Liabilities to shareholders[1)]	1.186	4.745	137.743	**143.674**
Rental and lease liabilities	16.785	-	-	**16.785**
Trade payables	9.348	9.563	23	**18.934**
Other financial liabilities	6.463	-	-	**6.463**
Total	**831.810**	**1.315.523**	**2.553.688**	**4.701.020**

[1)] Liabilities to banks and shareholders comprise interest liabilities

A reconciliation of the statement of financial position items to financial liabilities is presented under note *8.7 Financial assets and financial liabilities*.

The Company has not breached any covenants attached to its financial liabilities.

For fixed-interest primary financial instruments, future interest payments are forecast using the latest contractually defined interest rates. The analysis exclusively comprises cash outflows from financial liabilities.

The cash outflows in the maturity analysis are not expected to occur at significantly different dates or significantly different amounts.

8.11 Investments in joint ventures

HOWOGE has a 50% investment in the development company Elisabeth-Aue GmbH, Berlin (Elisabeth-Aue). The Group's investment in this joint venture is accounted for in the HOWOGE consolidated financial statements using the equity method and the same HOWOGE accounting policies as used for the measurement of investment property are applied (i.e., the land is measured at fair value). HOWOGE is pursuing a long-term strategy of maintaining its portfolio and, in this context, the contract for project development was renewed accordingly.

The reconciliation of this financial information to the carrying amount of the investment in this joint venture in the consolidated financial statements is set out below:

Statement of financial position of Elisabeth-Aue (condensed) in EUR k	**31 Dec 2024**	**31 Dec 2023**
Current assets, including cash and cash equivalents of EUR 1,087k (2023: EUR 1,584k)	18.769	19.102
Current liabilities, including tax liabilities of EUR 13.5k (2023: EUR 0.6k)	66	150
Equity	**18.703**	**18.952**
HOWOGE's share in equity: 50% (2023: 50%)	**9.351**	**9.476**
Carrying amount of the Group's investment before adjustment	**7.087**	**7.212**
Adjustment for IAS 40 measurement of the land	11.029	12.058
Adjustment for IAS 12 deferred taxes	-2.645	-
Carrying amount of the Group's investment after adjustment	**15.471**	**19.270**
Income statement of Elisabeth-Aue (condensed)	**2024**	**2023**
Revenue from contracts with customers	31	29
Change in inventories	158	-
Other operating income	9	-
Cost of purchased goods and services	-195	-37
Personnel expenses	-64	-
Other operating expenses	-207	-151
Other interest and similar income	18	8
Total comprehensive income for the fiscal year	**-249**	**-150**
Group's share in equity (50%) before adjustment	**-124**	**-75**
Adjustment for IAS 40 measurement of the land	-1.029	2.475
Adjustment for IAS 12 deferred taxes	-2.645	-
Adjustment of recognized Group's share of equity	**-3.798**	**2.400**

The joint venture had no contingent liabilities or obligations as of 31 December 2024 and 31 December 2023. There were no financial liabilities other than those presented in the above table. There were no significant finance costs or income in both fiscal years.

Elisabeth-Aue GmbH cannot distribute its profits without authorization from the two joint venture partners.

8.12 Other assets

Other current assets of EUR 61,344k (31 December 2023: EUR 57,102k) mainly include operating costs not yet billed for which HOWOGE is not the primary service provider, i.e., acts as an agent, and which are only invoiced to the customer in the year-end billing. In the fiscal year, they amounted to EUR 56,083k (31 December 2023: EUR 54,069k). The unbilled operating costs are valued at acquisition cost. Other current assets comprise assets relating to prepaid services not yet rendered.

8.13 Inventories for school construction projects

Inventories for property comprise work in process relating to planning and project services for customers. Work in process is valued at acquisition cost. The item also includes capitalized costs in connection with the preparation and execution of the school construction projects for the State of Berlin.

In fiscal year 2024, EUR 365.8m of own work capitalized (school construction) related to expenses incurred in the fiscal year attributable to the construction, planning and preparation costs for the School Building campaign (prior year: EUR 283.9m).

No other costs for inventories were expensed in the fiscal year or the prior year.

The interest rate for the capitalized borrowing costs in accordance with IAS 23.26 ranged from 2.81% to 3.26% in fiscal year 2024.

8.14 Assets held for sale

As of the reporting date, HOWOGE reported assets held for sale of EUR 23.5m (prior year: EUR 33.9m). The decrease is due to the sale of the former head office at Ferdinand-Schulze-Strasse 71. EUR 23.5m of the amount reported relates to the Insel Gartenfeld land, which was acquired as part of the School Building campaign in fiscal year 2023 and is expected to be sold on to the State of Berlin in mid-2025.

8.15 Rental and lease receivables, receivables from other trade and other financial assets

The following table presents the gross rental and lease receivables, receivables from other trade and other financial assets (where applicable, before credit risks within the meaning of IFRS 9) alongside loss allowances and maturities. The amounts that are past due or credit impaired refer to the gross receivable (total).

in EUR k	Current gross receivables	Non-current gross receivables	Total gross receivables	thereof past due	thereof credit impaired
Rental and lease receivables	47.017	88	47.105	8.513	-7.048
Receivables from other trade	474	-	474	-	-
Other financial assets	4.985	-	4.985	-	-
Contract assets	9.533	-	9.533	-	-479
As of 31 December 2023	**62.009**	**88**	**62.097**	**8.513**	**-7.527**
Rental and lease receivables	54.715	160.414	215.128	14.097	-6.164
Receivables from other trade	2.697	57	2.754	57	-
Other financial assets	6.232	-	6.232	-	-
Contract assets	4.773	-	4.773	-	-62
As of 31 December 2024	**68.417**	**160.471**	**228.888**	**14.155**	**-6.226**

Receivables from the in-substance sale of inventories as part of the School Building campaign were recognized for the first time in 2024. The completion of the Allee-der-Kosmonauten project and its sale as of 1 June 2024 resulted in revenue of EUR 167,790k and a corresponding receivable recognized in the same amount. The contract has a 25-year term over which the receivable is amortized, as the transaction constitutes a finance lease in accordance with IFRS 16. The related cost included in inventories, which was derecognized in 2024, amounted to EUR 149,766k. Net revenue thus came to EUR 18,024k. As of the reporting date, the remaining receivable amounted to EUR 165,116k.

For further information on revenue from the in-substance sale of school buildings, please refer to note *7.1.2 Other revenue from real estate management*, for information on inventories, to note *5.2 Inventories for school construction projects* and for additional disclosures on accounting for leases as the lessor, to note *5.6.2 Accounting for leases as the lessor*.

8.16 Financial liabilities

31 Dec 2024 in EUR k	Current	Non-current
Liabilities from bonds	9.693	1.491.151
Liabilities to banks	26.833	3.066.752
Liabilities to shareholders	-	193.300
Lease liabilities	991	34.377
Other financial liabilities	101	-
Financial liabilities	**37.618**	**4.785.580**
Rental and lease liabilities	**22.964**	**-**
Trade payables	**131.492**	**-**
Contract liabilities	**27.698**	**-**
Total	**219.772**	**4.785.580**

31 Dec 2023 in EUR k	Current	Non-current
Liabilities from bonds	501.753	1.191.870
Liabilities to banks	198.095	2.195.257
Liabilities to shareholders	-	134.804
Lease liabilities	975	34.751
Other financial liabilities	137	-
Financial liabilities	**700.961**	**3.556.683**
Rental and lease liabilities	**17.137**	**-**
Trade payables	**121.768**	**-**
Contract liabilities	**23.289**	**-**
Total	**863.154**	**3.556.683**

The purchase of the portfolios from Vonovia and Deutsche Wohnen was financed in 2021 by issuing a corporate bond. A debt issuance program with a total volume of EUR 4.0b was established for this purpose, under which three tranches comprising a total amount of EUR 1.7b and featuring different terms (initially three, seven and 12 years) were issued in 2021. A first tranche of EUR 500m was repaid as scheduled in November 2024. A further tranche of EUR 500m is due in November 2028. The third tranche from 2021 of EUR 700m is due in November 2033. In June 2024, a further tranche of EUR 300m with a term of six years was issued. The volume outstanding as of 31 December 2024 is EUR 1.5b.

EUR 2,616,352k (2023: EUR 2,162,298k) of liabilities to banks are secured by real property liens and EUR 567,123k (2023: EUR 257,870k) are secured by state guarantees.

For other financial liabilities see note *8.20 Other liabilities*.

8.17 Cash and cash equivalents

in EUR k	31 Dec 2024	31 Dec 2023
Cash and cash equivalents	645.198	273.650
thereof freely available	644.639	273.069
Cash and cash equivalents	**645.198**	**273.650**

Cash and cash equivalents comprise cash and short-term, highly liquid investments. Bank balances earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. Cash and cash equivalents include earmarked funds amounting to EUR 560k (2023: EUR 581k).

8.18 Equity

Changes in equity components are shown in the statement of changes in equity.

8.18.1 Subscribed capital

Subscribed capital remained unchanged at EUR 25k in the fiscal year.

8.18.2 Reserves

The Group's reserves comprise consolidated equity earned and (other) capital reserves as well as accumulated retained earnings.

Consolidated equity earned comprises the profits of the consolidated entities for the prior and current periods, provided they have not been distributed.

For development of the individual reserves, see the *consolidated statement of changes in equity*.

8.18.3 Capital management

For capital management, equity comprises the subscribed capital, capital reserves, reserve required by the articles of association and other retained earnings (the latter two together: accumulated retained earnings). The primary objective of the HOWOGE Group's capital management is to secure the Group's economic strength. HOWOGE considers funds from operations (FFO), which is cash flow from operating activities less financing interest, to be a key performance indicator. The primary objective of investments is to maintain this cash flow at its current level in order to secure the Group's economic strength for market phases in which interest rates rise and the macroeconomic situation deteriorates. This is integrated in a business plan along with additional key points for long-term planning, such as operating result, debt levels, rent increases, cost benchmarks and cost-benefit criteria for investments.

8.19 Provisions

8.19.1 Pension provisions

The acquisition of ATOZ Facility Solutions GmbH in fiscal year 2024 led to the first-time recognition of pension obligations in the consolidated financial statements.

The company's pension plan is a defined benefit plan that grants employees pension benefits based on their length of service and the monthly average gross remuneration earned by the beneficiary in the last 12 calendar months before their employment ends. In addition to regular pension benefits, the plan also includes benefits for surviving dependents, which are paid to entitled relatives in the event of the death of an active employee or pensioner. In the event of disability, pension benefits are also granted based on previous salary payments.

The actuarial valuation of pension obligations was carried out in accordance with IAS 19 using the projected unit credit method (PUCM), which takes into account the pensions and expectancies known as of the reporting date as well as the increases in salaries and pensions to be expected in the future. The discount rate was determined in accordance with IAS 19.83 on the basis of high-quality corporate bonds and consistent currencies and terms.

The defined benefit obligation (DBO) in accordance with IAS 19 amounted to EUR 1.5m as of 31 December 2024 and included claims for ten entitlements of EUR 0.5m, including one active employee and nine former employees with vested entitlements. In addition, current benefits of EUR 1.0m for 18 pensioners were included in this calculation.

The tables below show the development of defined benefit obligations (DBO) and the net benefit expense as of 31 December 2024, which is recognized in profit or loss in EUR k.

Development of DBO	**in EUR k**
DBO as of 31 July 2024	**1.491**
Interest cost	22
Service cost	7
Benefits paid	-35
Actuarial gains (-) and losses (+) - Changes in assumptions	42
Actuarial gains (-) and losses (+) - Experience adjustments	-2
DBO as of 31 December 2024	**1.525**

Net benefit expense (recognized in profit or loss) as of 31 Dec 2024	**in EUR k**
Current service cost	7
Net interest cost	22
Net expense	**29**

As of the acquisition date 1 August 2024, no amounts were recognized directly in other comprehensive income. From the acquisition date until the end of the fiscal year on 31 December 2024, there were valuation effects of EUR 40k, which were reported in other comprehensive income outside of profit or loss in the period in which they arose. These valuation effects primarily resulted from changes in actuarial assumptions. Service cost is reported under personnel expenses. It is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.

Interest cost is included in net finance costs. It reflects the following material actuarial assumptions used:

Valuation input in %	31 Dec 2024	31 Jul 2024
Discount rate	3,30	3,50
Future pension increase	2,00	2,00
Future income increase	2,50	2,50
Turnover	-	-
Biometrics	Heubeck 2018G	Heubeck 2018G

The age at which individuals become eligible to receive pension benefits was set at the earliest possible retirement age. The duration of the pension obligation is 14 years. Other provisions are recognized when HOWOGE has a legal or constructive obligation as a result of a past event that is uncertain with regard to settlement and/or amount. They are recognized at the present value of the expected settlement amount.

8.19.2 Other provisions

Non-current provisions are recognized at the settlement value discounted to the reporting date using risk-free interest rates for an equivalent maturity.

Other provisions for employees comprise provisions for employee benefits relating to long-service awards as well as target achievement bonuses, individual and group bonuses.

Miscellaneous other provisions mainly include a provision for onerous contracts (EUR 6,187k) due to the current fair value measurement of the land held by Stadtentwicklungsgesellschaft Buch mbH, Berlin, an entity that was acquired as of 2 January 2025. They also contain provisions for financial statements and consulting fees as well as archiving costs provisions for the retention of business documents. The change in other provisions in the fiscal year is mainly due to the provision for onerous contracts. The reversal of provisions for long-service awards was attributable to a recalculation of the inputs.

Cash outflows from provisions within one year are estimated at around EUR 11,781k (2023: EUR 7,107k). Other cash outflows from provisions are non-current.

in EUR k	1 Jan 2024	Allocation due to changes in the basis of consolidation	Utilization	Reversal	Allocation	31 Dec 2024
Other provisions	3.516	1.058	372	1.904	6.465	8.763
Provision for financial statement costs	1.244	-	1.133	76	646	681
Provision for retention of business documents	133	-	-	15	17	135
Provision for advertising fund	73	-	3	-	6	76
Warranty provision	51	-	-	-	-	51
Provision for consulting fees	125	48	68	18	71	158
Miscellaneous other provisions	**5.142**	**1.106**	**1.577**	**2.013**	**7.204**	**9.864**
Provisions for long-service awards	1.217	40	76	1.157	361	384
Provisions for employee bonuses	2.079	90	1.686	394	1.999	2.088
Provisions for employees	**3.296**	**130**	**1.762**	**1.552**	**2.360**	**2.473**
Total other provisions	**8.438**	**1.236**	**3.339**	**3.564**	**9.565**	**12.336**
thereof current	7.107	-	-	-	-	11.781
thereof non-current	1.330	-	-	-	-	555

in EUR k	1 Jan 2023	Utilization	Reversal	Allocation	31 Dec 2023
Other provisions	12.722	5.223	7.253	3.270	3.516
Provision for financial statement costs	1.206	1.123	52	1.212	1.244
Provision for retention of business documents	133	-	17	16	133
Provision for advertising fund	69	2	-	6	73
Warranty provision	77	-	26	-	51
Provision for consulting fees	87	31	1	70	125
Miscellaneous other provisions	**14.295**	**6.378**	**7.348**	**4.574**	**5.142**
Provisions for long-service awards	1.174	45	-	88	1.217
Provisions for employee bonuses	1.661	1.379	176	1.974	2.079
Provisions for employees	**2.835**	**1.424**	**176**	**2.062**	**3.296**
Total other provisions	**17.129**	**7.802**	**7.525**	**6.636**	**8.438**
thereof current	15.947	-	-	-	7.107
thereof non-current	1.182	-	-	-	1.330

8.20 Other liabilities

in EUR k	31 Dec 2024	31 Dec 2023
Other liabilities	**133.390**	**93.055**
Liabilities to employees	518	699
Government grants	126.849	86.960
Miscellaneous	6.023	5.396
Other non-financial liabilities	**133.390**	**93.055**
thereof current	19.885	14.027
thereof non-current	113.505	79.028

Additionally, as of the end of the fiscal year, liabilities to employees of EUR 517k (2023: EUR 699k) comprised accrued vacation.

Other non-financial liabilities mainly consist of government grants. For government grants from interest-subsidized and repayment-subsidized loans, see note *8.22 Government grants*.

Other liabilities relate to the binding commitment to donate around EUR 6,000k to the Stadtkultur foundation, which was made in fiscal year 2018 and the full amount of which was not requested in the fiscal year.

8.21 Deferred tax assets and liabilities

Deferred tax assets and liabilities arose from temporary differences between the IFRS carrying amounts and tax bases as well as tax loss carryforwards and break down as follows:

	31 Dec 2024		31 Dec 2023 adjusted[1]		1 Jan 2023 adjusted[1]	
in EUR k	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Intangible assets	-	216	-	-	-	-
Investment property, property, plant and equipment and inventories	-	1.506.742	-	1.493.429	-	1.706.675
Investments	-	-	-	3.975	-	4.805
Non-current financial assets	-	-	-	615	-	623
Rental and lease receivables, receivables from other trade and contract assets	1.879	6.247	729	-	11.812	-
Other financial assets, current	-	6	-	7	-	8
Other assets, current	-	305	683	429	-	-
Other provisions	1.437	-	878	2.123	353	-
Non-current financial liabilities	12.963	2.435	12.170	2.477	7.781	-
Current financial liabilities	1.748	-	1.265	-	113	-
Trade payables	830	-	29	-	29	-
Other liabilities	-	-	105	-	105	631
Total	**18.857**	**1.515.951**	**15.859**	**1.503.055**	**10.193**	**1.712.742**

in EUR k	31 Dec 2024		31 Dec 2023 adjusted[1)]		1 Jan 2023 adjusted[1)]	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Tax loss carryforwards	5.573	-	7.508	-	10.064	-
Total deferred taxes	**24.430**	**1.515.951**	**23.367**	**1.503.055**	**20.257**	**1.712.742**
Offsetting	-24.430	-24.430	-23.367	-23.367	-20.257	-20.257
Amount recognized in the statement of financial position	**-**	**1.491.521**	**-**	**1.479.689**	**-**	**1.692.485**

[1)] Please see note 1.3 for more information on the adjustments

Deferred tax assets and liabilities are offset against each other if they have the same tax creditor and tax debtor as well as the same maturity.

The change in deferred tax liabilities is mainly due to the effects from the fair value measurement of investment property.

The deferred taxes from non-current assets (net deferred tax liabilities, 2024: EUR 1,506.7m; 2023: EUR 1,498.0m) and non-current liabilities (net deferred tax assets, 2024: EUR 10.5m; 2023: EUR 9.69m) are expected to reverse more than 12 months after the reporting date.

in EUR k	31 Dec 2024	31 Dec 2023
Tax loss carryforwards	**107.542**	**126.029**
thereof trade tax	72.338	78.586
thereof corporate income tax	35.203	47.443
thereof unusable loss carryforwards	**72.138**	**78.586**
thereof trade tax	72.138	78.586
thereof corporate income tax	-	-

There are corporate income tax loss carryforwards of EUR 35.2m in fiscal year 2024 (2023: EUR 47.4m). A deferred tax asset is recognized on the corporate income tax loss carryforwards, as it is possible to offset them against deferred tax liabilities from the IAS 40 measurement of investment property. No deferred tax assets were recognized on the existing trade tax loss carryforwards, as they originate from asset-managing companies. It is therefore unlikely that the trade tax loss carryforwards will be utilized in the coming years.

in TEUR	2024		2023 adjusted[1)]	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Deferred taxes as of 1 January[1)]	**-**	**1.479.689**	**-**	**1.692.486**
Deferred taxes in the income statement	-	11.332	-	-212.797
Deferred taxes in other comprehensive in-come		-12	-	-
Deferred taxes in connection with first-time consolidation	-	512	-	-
Deferred taxes as of 31 December	**-**	**1.491.521**	**-**	**1.479.689**

[1)] Please see note 1.3 for more information on the adjustments

8.22 Government grants

HOWOGE receives government grants in the form of interest-subsidized and repayment-subsidized loans. For interest-subsidized loans, the difference between the nominal amount and the present value of the loan is recognized as deferred income under other liabilities. It is amortized to income straight line over the residual term of the respective loans, which are subsequently measured at amortized cost, and presented in net finance costs under interest expenses.

Repayment subsidies in the form of expense subsidies are also recognized under other liabilities and amortized to income as the expenses are incurred. They are presented under other revenue from real estate management. Repayment subsidies granted as investment subsidies are deducted from the acquisition cost recognized for the loans.

In the fiscal year (and prior year), deferred income was recognized under other liabilities for interest-subsidized loans or repayment subsidies recognized as liabilities as follows:

in EUR k	31 Dec 2024	31 Dec 2023
As of 1 January	**86.960**	**42.244**
Received during the year	50.101	50.247
Amortized to profit or loss	10.212	5.531
As of 31 December	**126.849**	**86.960**
thereof current	13.345	7.932
thereof non-current	113.504	79.028

In the fiscal year, income from repayment subsidies of EUR 3,551k (2023: EUR 1,994k) was recognized and presented under other revenue from real estate management; income from interest subsidies of EUR 6,661k (2023: EUR 3,538k) was recognized and presented under interest expenses.

9 Notes to the statement of cash flows

The cash funds underlying the statement of cash flows only comprise cash and cash equivalents that are not subject to any restrictions on use. They are equivalent to the cash and cash equivalents recognized in the statement of financial position less amounts that are not freely available.

The freely available cash funds in the statement of cash flows break down as follows:

in EUR k	31 Dec 2024	31 Dec 2023
Cash and cash equivalents	645.198	273.650
thereof freely available	644.639	273.069
Cash and cash equivalents in the statement of cash flows	**644.639**	**273.069**

The cash flow from operating activities is calculated from the profit or loss for the period using the indirect method, whereby non-cash transactions, changes in statement of financial position items and income and expense items attributable to investing or financing activities are adjusted.

The main factors affecting cash flows from operating activities are the consideration of receivables and liabilities as of the reporting date and the offsetting effects of investments in the construction of school buildings reported in inventories. In the reporting period, lease revenue was classified and accounted for in accordance with the principles of finance lease accounting for the first time. This relates to the in-substance sale of school buildings transferred to the lessee under a finance lease model. These transactions are non-cash transactions and, as such, do not affect cash or cash equivalents.

Cash received from the sale of life insurance policies of EUR 95,013k had a significant impact on cash flow from investing activities. These cash receipts were a key driver for the improvement of the negative cash flow in this area.

The increase in cash flow from financing activities was primarily due to higher cash received from borrowings and the issue of bonds in 2024. These measures contributed to a significant increase in cash and cash equivalents.

in EUR k	31 Dec 2023	Cash flows	New leases	Other	31 Dec 2024
Current interest-bearing loans and borrowings (excluding lease liabilities)	198.095	-198.095	-	26.833	26.833
Current lease liabilities	975	-975	991	-	991
Non-current interest-bearing loans and borrowings (excluding lease liabilities)	2.330.061	593.488	-	336.503	3.260.052
Non-current lease liabilities	34.751	-81	-	-293	34.377
Total	**2.563.883**	**394.336**	**991**	**363.043**	**3.322.253**

The other changes in non-current interest-bearing loans and borrowings are effects that either do not impact cash or have not yet done so. This mainly relates to interest subsidies recognized as government grants and their release to profit or loss, increases in interest liabilities and amortization of previously deferred costs as part of effective interest calculations.

The other changes in current interest-bearing loans and borrowings resulted from the decreasing residual term of loans previously classified as non-current.

10 Notes to the segment reporting

HOWOGE is managed using aggregated and strategic performance indicators at group level and specific metrics for the operational management of the School Construction and Residential segments. The following key performance indicators are calculated and assessed for the purposes of performance management.

Funds from operations (FFO) is a liquidity-based performance indicator and shows the Group's operating cash flow. The figure is calculated by deducting interest and tax expenses affecting cash from adjusted EBITDA and adding loan repayment policies. Adjusted EBITDA is earnings before interest, taxes, depreciation, amortization, impairment and reversals of impairment. One-time effects, such as transaction costs, restructuring costs or earnings effects from disposals, are adjusted accordingly. The interest coverage ratio is another key performance indicator and shows the Company's ability to service interest payments from current operations. It is calculated by dividing adjusted EBITDA by the net interest expenses affecting cash. The loan-to-value (LTV) ratio is an indicator used to manage investments and indebtedness. The LTV ratio is determined by calculating the ratio of net financial liabilities to the fair value of investment property. Profit or loss for the period before valuation effects is also one of the HOWOGE Group's key performance indicators.

The following non-financial key performance indicators are used for the Residential segment:

Operational management is primarily carried out on the basis of average net rent (excluding heating and utilities) per square meter and the vacancy rate for the entire housing portfolio. In its rental business, the Group ensures that it achieves a certain quota of letting to persons with a certificate of eligibility for public housing (WBS) in relation to total letting. In its reletting activities, the Group aims to achieve a WBS rate of at least 63%.

The School Construction segment is managed on the basis of the segment result before valuation effects and the investment volume.

An integrated planning and control system based on key performance indicators is used for performance management. An integrated long-term plan for a period of ten years is prepared on the basis of the business strategy and is reviewed and adjusted on an annual basis. In addition to planning earnings, financial position and cash flows, this also includes the Company's non-financial value drivers and factors in the individual performance of each property and project. The forecast process entails a regular update for the current fiscal year based on current business performance. For the purposes of targeted management, management-relevant indicators are continuously compared against current business performance and current processes as part of a standardized, monthly reporting process. Any necessary actions in the event of deviations are implemented and tracked.

HOWOGE is engaged in property transactions in the public interest as part of the Berlin School Building campaign. In this context, the School Construction segment performs the traditional coordination and management functions of a building owner.

10.1 Residential

HOWOGE's main business activity is managing residential properties in the context of active portfolio management. Portfolio management comprises modernizing and maintaining the real estate portfolio, managing rent agreements and providing assistance to tenants. The focus of management activities is supplying suitable housing for broad sections of the population. The Residential segment also includes expanding the housing stock by constructing new dwellings and purchasing existing buildings for our own portfolio.

As well as the financial ratios, the performance indicators for managing the Residential segment are the development of the number of apartments, residential facility management and the development of the rent per square meter, vacancies and turnover.

This includes the scope of reletting to tenants holding certificates of eligibility for public housing (WBS) as well as the administrative expenses for facility management.

The Residential segment covers all the Group's expenses that are not attributable to school construction. Its income is mainly derived from renting out apartments, commercial space and other properties.

10.2 School construction

A master agreement between HOWOGE and the State of Berlin to support the School Building campaign of the State of Berlin was signed in January 2019. As it currently stands, HOWOGE will build 27 new schools and will remodel 11 school complexes. More than EUR 5b has been earmarked for this investment program in the long-term corporate budget, which will be financed by funds from a shareholder loan during the planning phase, bridge financing in the form of state guarantees during the construction phase and an assignment agreement subject to a waiver of defense during the rental phase.

Aside from the number of projects in preparation or under construction, the operating result, investment volume and financing arrangements are reported for the School Construction segment.

10.3 Accounting policies

No differences arise from the allocation of centrally incurred costs. The School Construction segment is allocated costs directly for personnel and other expenses incurred by the segment and indirectly for expenses attributable to the School Construction segment, such as costs for the use of offices and infrastructure, as well as personnel expenses for services provided for the School Construction segment by other corporate functions, such as payroll accounting. Indirect cost allocation is largely based on time sheets.

Income is generated from services for the State of Berlin in connection with the School Building campaign. After completion, income will be generated by letting out the schools to the relevant districts of Berlin.

No differences arise from the allocation of jointly used assets.

No differences arise from the allocation of liabilities incurred jointly. During the start-up phase, school construction will be financed by the shareholder loan from the State of Berlin. The specific school building and refurbishment projects will be funded by property-specific loans. This allows interest expenses to be directly allocated to the segment.

Measurement methods were not changed.

There were no asymmetric allocations from the use of assets and their depreciation.

No operating segments have been aggregated to form the two above reportable operating segments.

The management board is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

The segment results reflect the subtotals in the consolidated income statement. Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

Significant finance income, other income, and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis. Interest income of EUR 1,385k earned on bank balances is allocated to the School Construction segment. Capitalizable interest components that fall under the classification of IAS 23 are allocated to the School Construction segment and are also reported there accordingly. Finance costs, in particular interest expenses from loans, are allocated to the segments; most of the finance costs are attributable to the Residential segment.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis. A proportionate amount of trade and corporate income tax is also reported in the School Construction segment. Intersegment revenues are eliminated on consolidation.

Set out below is the reconciliation of the segment results to profit or loss for the period in the consolidated income statement:

10.4 Reconciliation of profit or loss

The reconciliation from the HGB to IFRSs as of 31 December 2024 and as of the comparative reporting date 31 December 2023 is as follows:

31 Dec 2024 in EUR k	Residential HGB	School Construction HGB	Total operating segments HGB	Group HGB	Reconciliation IFRSs	Group IFRSs
External customers	606.415	-	606.415	606.415	-41.989	564.426
Intersegment	-	6.374	6.374	6.374	161.416	167.790
Total revenue	**606.415**	**6.374**	**612.789**	**612.789**	**119.427**	**732.216**
Increase or decrease in inventories[1)]	11.001	-	11.001	11.001	-11.001	-
Own work capitalized	3.086	8.560	11.645	11.645	-79	11.566
Profit or loss from the remeasurement of investment property	-	-	-	-	-46.926	-46.926
Net valuation effect from assets held for sale	-	-	-	-	600	600
Cost of materials	-249.617	-339	-249.956	-249.956	-162.528	-412.484
Employee benefits expenses	-73.012	-3.923	-76.935	-76.935	75	-76.860
Amortization, depreciation and impairment	-159.149	-2.627	-161.776	-161.776	154.969	-6.807
Share of profit or loss from investments	-	-	-	-	-3.798	-3.798
Net finance costs	-40.282	-8.181	-48.463	-48.463	5.042	-43.421
Other operating expenses	-52.568	-1.896	-54.464	-54.464	4.935	-49.529
Income and other taxes	-37.244	-903	-38.147	-38.147	-19.943	-58.090
Other operating income	29.791	49	29.839	29.839	-18.069	11.770
Change in inventories for property and other inventories	-	-	-	-	81.860	81.860
Segment result	**38.420**	**-2.887**	**35.533**	**35.533**	**104.564**	**140.097**

[1)] According to IFRSs, changes in inventories are reflected in revenue

2023 after adjustment[1)] in EUR k	Residential HGB	School Construction HGB	Total operating segments HGB	Group HGB	Reconcilia- tion IFRSs	Group IFRSs
External customers	560.769	-	560.769	560.769	-19.691	541.078
Intersegment	-	-	-	-	-	-
Total revenue	**560.769**	**-**	**560.769**	**560.769**	**-19.691**	**541.078**
Increase or decrease in inventories	32.764	-	32.764	32.764	-32.764	-
Own work capitalized	2.242	1.523	3.765	3.765	-	3.765
Profit or loss from the remeasurement of investment property	-	-	-	-	-1.179.694	-1.179.694
Net valuation effect from assets held for sale	-	-	-	-	-300	-300
Cost of materials	-255.598	-28	-255.625	-255.625	-108.142	-363.767
Employee benefits expenses	-61.464	-3.160	-64.624	-64.624	-	-64.624
Amortization, depreciation and impairment	-116.883	-7	-116.890	-116.890	106.001	-10.890
Share of profit or loss from investments	-	-	-	-	2.400	2.400
Net finance costs	-33.033	976	-32.057	-32.057	884	-31.173
Other operating expenses	-36.946	-1.174	-38.120	-38.120	1.862	-36.257
Income and other taxes	-45.459	545	-44.914	-44.914	219.782	174.868
Other operating income	34.195	37	34.232	34.232	22.796	57.028
Change in inventories for property and other inventories	-	-	-	-	172.783	172.783
Segment result	**80.588**	**-1.287**	**79.301**	**79.301**	**-814.083**	**-734.783**

[1)] Please see note 1.3 for more information on the adjustments

The differences between the HGB and IFRS figures are generally due to the different accounting policies and total EUR 104.6m (2023: EUR -814.1m). In 2024, this effect was due in particular to the different accounting treatment of completed school construction projects. While under the HGB, they constitute rentals and leases, they are considered an in-substance sale of the school in accordance with IFRS 16. As of 31 December 2024, this effect between the HGB and IFRSs had an impact of EUR 161.4m on revenue (2023: EUR 0m). Correspondingly, a total amount of EUR 156.3m from the sale of the school construction project was derecognized from inventories, and other school construction projects of EUR 238.2m were recognized as additions (resulting in a net increase in inventories of EUR 81.9m). In 2024, remeasurement of the investment property again had an offsetting effect of EUR -46.9m (2023: EUR -1,179.7m), HOWOGE having opted to apply the fair value method. In this context, regular building depreciation and impairment losses of EUR 155.0m (2023: EUR 106.0m) as recognized under the HGB were eliminated. Under IFRSs, gains or losses arising from a change in the fair value of investment property are recognized in profit or loss (IAS 40.35). Both unrealized gains and impairment losses are also recognized in profit or loss. This leads also to a change in deferred taxes (IAS 12), which therefore have to be adjusted by EUR -19.9m (2023: EUR 219.8m) under IFRSs.

In addition, there is a difference of EUR 119.4m (2023: EUR 19.7m) between revenue under IFRS 15 and revenue recognized under the HGB, which is largely due to the different IFRS accounting treatment of unbilled operating costs, which are recognized under other assets. Differences in net finance costs between the HGB and IFRSs are largely attributable to the different accounting treatment of the bond issued under IFRS 9 (EIR method). The difference is EUR 5.0m (2023: EUR 0.9m). Other operating expenses were also adjusted for the directly allocable expenses for the bond in this connection. Set out below is the reconciliation of the segment result to adjusted EBITDA showing the significant non-cash adjustment items for 2024 and the 2023 comparative period.

31 Dec 2024 in EUR k	Residential HGB	School Construction HGB	Total operating segments HGB	Reconciliation IFRSs	Group IFRS
Segment result	38.420	-2.887	35.533	104.564	140.097
Finance income	-16.710	-4.005	-20.715	-3.652	-24.367
Finance costs	56.466	12.186	68.652	-864	67.788
Profit or loss from investments accounted for using the equity method	-	-	-	3.798	3.798
Taxes	20.616	891	21.507	19.943	41.450
Capitalization of School Construction interest	-	-6.796	-6.796	-	-6.796
Amortization, depreciation and impairment	159.149	2.627	161.776	-155.146	6.630
Changes in fair value from property appraisal	-	-	-	46.926	46.926
EBITDA	**257.940**	**2.016**	**259.957**	**19.190**	**279.146**
EBIT	**98.792**	**6.185**	**104.977**	**167.538**	**272.516**
Cash flows from operating activities	**207.362**	**821**	**208.183**	**-213.545**	**14.808**
Indebtedness	**4.449.612**	**723.711**	**5.173.323**	**1.478.317**	**6.651.640**
Equity ratio	**31%**	**-2%**	**27%**	**25%**	**53%**

2023 after adjustment[1)] in EUR k	Residential HGB	School Construction HGB	Total operating segments HGB	Reconciliation IFRSs	Group IFRS
Segment result	80.588	-1.287	79.301	814.084	-734.783
Finance income	-5.481	-1.385	-6.866	37	-6.903
Finance costs	43.802	408	44.210	847	43.363
Profit or loss from investments accounted for using the equity method	-	-	-	2.400	-2.400
Taxes	28.908	-545	28.362	219.781	-191.419
Amortization, depreciation and impairment	116.883	7	116.890	109.624	7.266
Changes in fair value from property appraisal	-	-	-	-1.179.694	1.179.694
EBITDA	**264.698**	**-2.801**	**261.897**	**-32.921**	**298.582**
EBIT	**147.816**	**-2.808**	**145.008**	**142.543**	**287.551**
Cash flows from operating activities	**240.547**	**-573**	**239.974**	**-156.420**	**83.554**
Indebtedness	**4.147.987**	**396.705**	**4.544.692**	**1.376.072**	**5.920.764**
Equity ratio	**30%**	**-2%**	**27%**	**26%**	**56%**

[1)] Please see note 1.3 for more information on the adjustments

All revenue was generated in Germany.

11 Information on group companies and related party disclosures

11.1 Subsidiaries

Note *4.2 Subsidiaries* provides information about the Group's structure and the subsidiaries.

11.2 Shareholder

The sole shareholder of HOWOGE Wohnungsbaugesellschaft mbH is the State of Berlin. There were the following direct relationships/transactions with the State of Berlin to be reported in the period under review (2024):

- The cooperation agreement "Affordable rents, new housing construction and social housing supply" dated 5 April 2017 as well as the supplementary agreements dated 11 March 2021, 31 March 2021 and 20 December 2022, effective until 31 December 2023. This agreement also had an impact in 2024 as HOWOGE received payments of EUR 1.86m as compensation for rent losses due to the rent freeze, with the last compensation payment of EUR 673k made in June 2024.
- Rental agreements for three refugee shelters with a total base rent of just under EUR 3.2m p.a. (2023: EUR 3.2m p.a.) and other rental agreements with a total volume of just under EUR 0.5m p.a. (2023: EUR 0.5m).
- The contribution of land on Hobrechtsfelder Chaussee with a contribution value of EUR 11.9m.
- The Insel Gartenfeld land at a current sales price of EUR 23.5m is expected to be sold in mid-2025.
- In addition, various expense subsidies, loans and debt waivers were granted:
    - In fiscal year 2024, a total of EUR 1.6m (2023: EUR 1.5m) was granted in expense subsidies for various rental properties. As construction cost funding, HOWOGE was granted subsidies for housing construction of EUR 3.1 m (2023: EUR 0.3m) and for school construction of EUR 5.3m (2023: EUR 0m).
    - Subsidized loans with a volume of EUR 33.5m (2023: EUR 34.0m) were granted in accordance with housing promotion regulations.
    - Federal subsidies (KfW) with a volume of EUR 55.1m (2023: EUR 90.6m) were granted.
    - HOWOGE was also granted bridge financing of EUR 237.1m (2023: EUR 163.8m), end financing of EUR 160m (2023: EUR 0m) and shareholder loans of EUR 58.5m (2023: EUR 74.8m) as part of the School Building campaign.

- In the context of subsidized loans from IBB and KfW, EUR 10.6m in repayment subsidies and debt forgiveness was granted in fiscal year 2024 (2023: EUR 23.1m), either for reaching a contractually agreed construction progress milestone or on the condition that rents would not be increased for a certain period of time.

There were no other significant transactions with shareholders in fiscal year 2024.

11.3 Joint ventures

In line with the wish of the shareholder, the State of Berlin, HOWOGE holds 50% of the development company Elisabeth-Aue GmbH, Berlin (Elisabeth-Aue), which was founded as a joint venture with GESOBAU AG. The purpose of the company is to develop land, especially in the development area Elisabeth-Aue in Berlin Pankow. There is a service agreement in place between HOWOGE and the development company, whereby HOWOGE performs defined services for Elisabeth-Aue (these services essentially relate to the fields of legal, procurement and personnel) and invoices the company for these services. Since the planning for the development of the area has currently been put on hold, the activities of Elisabeth-Aue GmbH are restricted to fulfilling its responsibilities as the property owner. Accordingly, HOWOGE did not conduct any significant business transactions with Elisabeth-Aue GmbH.

11.4 Information on management board compensation

Key management personnel at HOWOGE include the members of the management board and supervisory board.

In the fiscal year, the management board comprised:

- Ulrich Schiller
- Katharina Greis

Ulrich Schiller is responsible for the following areas within the HOWOGE Group:

1. Governance, Risk and Compliance
2. Internal audit
3. Sustainability
4. Press department
5. Management office
6. Central real estate management
7. Operational portfolio management
8. Processes and digitalization
9. Information technology
10. Asset and portfolio management
11. Technical management
12. New construction
13. School construction
14. Corporate communications and marketing
15. Central procurement
16. HOWOGE Wärme GmbH
17. Kramer + Kramer Bau- und Projektmanagement GmbH
18. HOWOGE Reinigung GmbH

Katharina Greis is responsible for the following areas within the HOWOGE Group:

1. Governance, Risk and Compliance
2. Internal audit
3. Sustainability
4. Press department
5. Management office
6. Financial control and data modeling
7. Treasury and investor relations
8. Legal
9. Finance and accounting
10. Human resources
11. HOWOGE Servicegesellschaft mbH

The supervisory board comprises:

Name	Function and activities	Duration of appointment
Mr. Hendrik Jellema	Chairman, chair of the personnel committee, former CEO of GEWOBAG	since 17 September 2018
Mr. Alexander Slotty	Chair of the building committee and deputy chair of the supervisory board	since 16 June 2023
Ms. Elfriede Baumann	Chair of the audit committee, former general manager of EY Austria GmbH	since 9 April 2019
Mr. Sebastian Lange	Representative from the tenants' council	since 9 September 2022
Mr. Jörn Lorenz	Secretary, employee representative, deputy chair of HOWOGE's employee council	since 1 January 2005
Ms. Tanja Mildenberger	State Secretary of the Senate Department for Finance	since 16 June 2023
Ms. Daniela Riedel	Head of Section in the Senate Chancellery	since 1 April 2023
Mr. Michael Schiller	Employee representative, head of HOWOGE's Properties and Loan Collateral Management department	since 1 July 2022
Mr. Frank Sparmann	Employee representative, head of HOWOGE's customer center	since 21 April 2015

The compensation paid to the Group's key management personnel that requires disclosure pursuant to IAS 24 includes the compensation paid to the active management board and supervisory board.

The active members of the management board and the supervisory board were compensated as follows:

in EUR k	2024	2023
Short-term benefits due to the management board	571	526
Short-term benefits due to the supervisory board	54	53
Payments into defined contribution pension plans	57	50
Total compensation	**682**	**629**

Short-term benefits include the basic compensation, special payments including performance-based compensation and non-cash benefits (company vehicle, accident insurance) and social security contributions. Post-employment benefits are due to contributions to pensions plans and are presented under personnel expenses in the income statement.

No advances or loans were issued to members of the management board or supervisory board.

12 Events after the reporting date

In April 2024, agreements were signed for the purchase of a real estate package for a price of EUR 700m. HOWOGE Wohnungsbaugesellschaft mbH is thus acquiring PRIMA Wohnbauten Privatisierungs-Management GmbH (PRIMA), whose 4,492 apartments in Berlin are mainly located in Lichtenberg and complement the HOWOGE portfolio very well. Moreover, HOWOGE is acquiring Stadtentwicklungsgesellschaft Buch mbH (SEG Buch) together with Berlinovo Immobilien Gesellschaft mbH, taking a 74% stake in the company. The transfer of the shares in the companies took place as of 2 January 2025 and increased HOWOGE’s portfolio to more than 80,000 apartments.

Berlin, 25 March 2025

HOWOGE Wohnungsbaugesellschaft mit beschränkter Haftung

The Management Board

Katharina Greis | Ulrich Schiller