

Deutsche Wohnen SE declaration of conformity with the German Corporate Governance Code

The Management Board and Supervisory Board of Deutsche Wohnen SE have carefully reviewed its compliance with the standards of the German Corporate Governance Code taking into consideration the Code in the version of 7 February 2017 published in the Federal Gazette [Bundesanzeiger] on 24 April 2017 (“2017 Code”) and the Code in the version of 16 December 2019 published in the Federal Gazette on 20 March 2020 (“2020 Code”), and adopted the following declaration of conformity under section 161(1) of the German Stock Corporation Act [AktG] in December 2020.

Since making its last declaration of conformity in December 2019, Deutsche Wohnen SE has complied with the recommendations of the German Corporate Governance Code (2017 Code) with the following exception:

- The recommendation in 5.4.1 of the Code, which includes the definition of a regular limit of length of Supervisory Board membership and the consideration of this limit in proposals for election, was not complied with. The company believes that a fixed regular limit does not take individual factors justifying longer terms of membership of individual Supervisory Board members into account.

Deutsche Wohnen SE complies with the recommendations of the German Corporate Governance Code (2020 Code) and will continue to comply with them in the future, with the following exceptions:

The Supervisory Board will decide upon a new remuneration system under the new section 87a of the German Stock Corporation Act [AktG] and submit it to the 2021 Annual General Meeting for resolution. The provisions on remuneration of Management Board members in existing employment contracts currently do not comply with all recommendations of the 2020 Code. Its recommendations will be applied in the future in the appointment and conclusion of employment contracts of new Management Board members. Existing contracts of employment will remain unchanged during their minimum term, with amendments made as they are renewed. The current applicable remuneration system and existing Management Board employment contracts include the following deviations from the 2020 Code:

- Recommendation G 8, which provides that subsequent changes to the target values or comparison parameters be excluded, was not fully complied with. In its meeting on 27 April 2020, the Supervisory Board approved the conclusion of agreements (“compensatory agreements”) to compensate for the remuneration-distorting effects of the Berlin Residential Rent Cap and Reduction Act [MietenWoG Berlin, also known as the “Berlin rent cap”] announced by Berlin’s government on 5 June 2019. These agreements are between the company and Management Board members Michael Zahn, Philip Grosse and Lars Urbansky, as well as former Management Board member Lars Wittan. The compensatory agreements

provide firstly for an adjustment of the long-term incentive (LTI) performance period underlying the calculation of the LTI remuneration for the purposes of measuring relative share price performance. Before the resolution on 27 April 2020, the Supervisory Board determined that the announcement of the Berlin rent cap had had significant negative impacts on the market price of the company's shares, while the share price performance of the company's peers that was used when calculating key LTI figures was simultaneously unaffected by the Berlin government's announcement or only experienced a much more limited negative impact. The Supervisory Board believes there is a strong likelihood of there being an extraordinary recovery for the company's share price if the Federal Constitutional Court should judge the Berlin rent cap to be unconstitutional. In the view of the Supervisory Board, the long-term remuneration from the share options granted through the share option programme (SOP) in 2016 and, where applicable, 2017 would also have come to a considerably larger amount without the rent cap. The reason for this is that the exercise threshold for one of the targets (relative share price performance against the EPRA/NAREIT Germany Index; 20% weighting) would not have been missed. The Supervisory Board believes that the overall sustainability and incentivizing effect of long-term remuneration would be endangered if these one-time effects of the Berlin rent cap were not to be considered separately. In this context, the Supervisory Board considers it appropriate to make an extraordinary one-time adjustment of the LTI remuneration of these Management Board members in such a way that the announcement of the rent cap and the Federal Constitutional Court's decision about the rent cap always fall within the same LTI performance period, so as to record these extraordinary price-determining events in a single period. Furthermore, in certain conditions, the compensatory agreements provide for subscription rights being granted for share units that correspond to a minimum achievement level of the aforementioned SOP target. When drafting the compensatory agreements, the Supervisory Board made efforts to ensure that the positive effects created for the Management Board are only of the extent to which they are underpinned by corresponding share price developments that benefit the shareholders, and that the Management Board members concerned cannot profit from extraordinary share price fluctuation in view of the Federal Constitutional Court's decision but do not become unreasonably disadvantaged in keeping with this either.

- Recommendation G 10 is potentially not fully complied with. According to recommendation G 10, first sentence, Management Board members' variable remuneration is to be predominantly invested in company shares by the respective Management Board member or is to be granted predominantly as share-based remuneration, taking the respective tax burden into consideration. The Management Board employment contracts include the share ownership guidelines and provide for the amount of LTI remuneration to be calculated based on key LTI figures that are half calculated based on shares – through the relevant relative share performance – and half calculated based on a property yield defined in the contract. Consequently, the Management Board members have a stake in the performance of the company's shares that is sufficient to ensure that the Management Board members, like the shareholders, have an interest in the company's long-term development.
- The recommendation in G 11 is not complied with. This recommendation provides for the Supervisory Board to have the possibility to account for extraordinary developments to an appropriate extent and to retain or reclaim variable remuneration, if justified. The Supervisory Board can currently reduce all remuneration components, including variable remuneration, if the company's position deteriorates in accordance with section 87(2) of the German Stock Corporation Act [AktG]. Furthermore, the Supervisory Board can retain all remuneration components, including variable remuneration, in the event of a breach of obligation amounting to a loss for the company. Further reclamation entitlements have not been agreed.

- The recommendation in G 12 is not complied with. According to G 12, if a Management Board member's contract is terminated, the disbursement of any remaining variable remuneration components attributable to the period up until contract termination is to be based on the originally agreed targets and comparison parameters, and on the due dates or holding periods stipulated in the contract. The applicable Management Board employment contracts (in accordance with section 4.2.3, paragraph 5, of the 2017 Code) provide for the Management Board members to enjoy a one-time right to terminate the contract with three months' notice, counted from the end of a month, in the event of a change of control for the purposes of the contract. Upon exercising the termination right, the Management Board member receives an amount of up to three years' remuneration, capped at an amount equal to the remuneration otherwise payable after their employment ends. This severance pay becomes due for payment when the contract ends. The reason behind this provision for severance pay due to a change of control is that a change of control can be associated with changes that make it appear unjustified to make the calculation of variable remuneration components dependent on performance after the change of control and to comply with the due dates stipulated in the contract. The remuneration's alignment with sustainable and long-term company performance is not negatively impacted by this provision because the Management Board members cannot expect a change of control during their term. The departed Management Board member Lars Wittan was also considered when deciding on the compensatory agreements mentioned above related to recommendation G 8.
- The recommendation in G 13, first sentence, is not complied with only in the exceptional event of a change of control. Based on G 13, first sentence, any payments made to a Management Board member due to early termination of their Management Board activity is not to exceed twice the annual remuneration (severance cap) and is not to constitute remuneration for more than the remaining term of the employment contract. As described above, the Management Board employment contracts currently provide for an amount of up to three years' remuneration if a Management Board employment contract ends prematurely due to a change of control. The 2020 Code no longer includes an explicit provision regarding benefits in the event of a change of control. It is unclear if the general recommendation in G 13, first sentence, concerning severance pay amounts has effect in this respect. The company is therefore taking the precaution of declaring that it does not comply with recommendation G 13, first sentence.

Berlin, December 2020

Management Board

Supervisory Board

Disclaimer

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