

Excerpt of the Invitation to the Annual General Meeting of Vonovia SE on 16 April 2021 at 10:00 hours

Vonovia SE, Bochum
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Item of the Agenda 6: Approval of the compensation system of the Management Board

Description of the compensation system for the Management Board of Vonovia SE:

The Act Implementing the Second Shareholders' Rights Directive (ARUG II) of 12 December 2019 introduced section 120a of the German Stock Corporation Act (AktG), which provides that the Annual General Meeting of a listed company shall resolve on the approval of the compensation system for Management Board members presented by the Supervisory Board whenever there is a significant change, but at least every four years.

With effect from 1 January 2021, the Supervisory Board has resolved a revised compensation system for the members of the Management Board, which is submitted to this Annual General Meeting for resolution in accordance with the provisions of section 120a AktG.

Based on the recommendation of its Executive and Nomination Committee, the Supervisory Board proposes that the following compensation system for the members of the Management Board resolved by the Supervisory Board with effect from 1 January 2021 be approved.

Description of the compensation system for the Management Board of Vonovia SE:

1. Principles of the compensation system

As a housing company, Vonovia is at the heart of society. This means our activities are never solely economic in nature, but always have a social aspect. We are aware of this special role and responsibility: As a service provider and supplier of housing for around a million people, we put our customers and their needs at the heart of everything we do. This includes looking after our building stock and actively shaping neighbourhoods. We offer our customers contemporary apartments that are tailored to their needs and develop services for increased quality of life. For this reason, we also participate in a particularly important social task: the construction of new apartments. We are committed to the principles of the social market

economy and economic efficiency and take responsibility for providing good-quality housing that is safe and affordable.

The compensation system for the Management Board of Vonovia SE described below is an effective instrument for ensuring that Vonovia fulfils this role model function while also successfully implementing its corporate strategy. In addition to the key financial performance indicators used in Group controlling, the compensation paid to the members of the Management Board therefore takes particular account of environment, social, governance and sustainability performance aspects.

The performance criteria applied in measuring Management Board compensation reflects the corporate strategy and, in particular, provides incentives for ensuring the Company's long-term, sustainable growth. This is emphasised by the implementation of the Sustainability Performance Index (SPI). The compensation system for the Management Board reflects the key performance indicators used in corporate controlling with a view to the corporate strategy. They serve as an incentive for the Management Board to ensure that its interests are aligned with the interests of the Company's shareholders and other stakeholders, such as customers and employees. In addition to sustainability performance targets, this is achieved through a relative comparison with relevant market participants.

The aim of this compensation system is to appropriately remunerate the members of the Management Board according to their performance and their respective areas of activity and responsibility and to allow them to participate in Vonovia's success as regards successful business development. A consistent compensation system for the Management Board and senior management serves to ensure a consistent incentive effect and hence successful strategic development.

The compensation system forms the basis for determining the compensation paid to the members of the Management Board of Vonovia SE.

In designing the compensation system for the Management Board, the Supervisory Board takes into account the following principles:

Principles of Management Board compensation	
	The compensation system plays a significant role in the Company's business success by incentivising the implementation of the corporate strategy in the form of performance criteria relating to business success and setting ambitious annual and multi-year targets.
	The compensation system makes an important contribution to ensuring that the interests of the Management Board are aligned with the interests of the shareholders . The vast majority of the variable compensation paid to the Management Board is granted in the form of shares. Furthermore, provisions on shareholding oblige the Management Board members to purchase Vonovia shares and hold them for the duration of their appointment.
	A multi-year basis of assessment is applied for the vast majority of the variable compensation. Management Board compensation also takes into account non-financial targets and Vonovia's sustainability strategy. This ensures that the compensation system promotes Vonovia's long-term, sustainable development .
	The performance of the Management Board members is appropriately reflected in the variable compensation in the form of adequate and ambitious performance criteria (pay-for-performance). The variable compensation is capped and can amount to zero.
	The compensation paid to the members of the Management Board is commensurate with their tasks and performance and the position of the Company . The customariness of the compensation compared with other similar companies and vertical appropriateness compared with the compensation paid to senior management and the workforce as a whole are also ensured.
	The Supervisory Board takes care to ensure the consistency of the compensation system for the Management Board and senior management. Equivalent incentives and uniform targets are applied in order to ensure the common pursuit of the long-term Group strategy.
	Relative performance measurement compared with relevant market participants as part of the long-term variable compensation serves to incentivise long-term outperformance on the capital markets.

2. Procedure for the definition, implementation and review of the compensation system, first-time application, conflicts of interest

In accordance with the provisions of sections 87(1) and 87a (1) of the German Stock Corporation Act (AktG), the Supervisory Board decides on the compensation system for the members of the Management Board of Vonovia SE. The Supervisory Board is supported by the Executive and Nomination Committee (“Executive Committee”), which develops recommendations for the Management Board compensation system. The Supervisory Board discusses and decides on these recommendations. If required, the Supervisory Board may consult external advisers providing they are independent of the Management Board and the Company. The definition, implementation and review of the compensation system for the Management Board also takes into account the general provisions of the AktG and the German Corporate Governance Code (GCGC) concerning handling conflicts of interest. In the event of conflicts of interest, the Supervisory Board members do not participate in the resolutions on the affected agenda items at meetings of the Supervisory Board and the respective committees.

The remuneration conditions of the employees are taken into account in defining the final amount of Management Board compensation by way of a vertical comparison (see 3.2 below). In addition, the performance criteria for the variable compensation of the Management Board are designed so as to be broadly equivalent to the performance incentives for senior management.

The Supervisory Board presents the compensation system to the Annual General Meeting for approval. The Supervisory Board determines the target total compensation of the members of the Management Board in accordance with the compensation system presented to the Annual General Meeting for approval. Furthermore, the Supervisory Board determines the performance criteria for the variable compensation elements defined in the compensation system for the forthcoming financial year.

The regular review of the Management Board compensation system by the Supervisory Board is prepared by the Executive Committee, which recommends changes to the system to the Supervisory Board where it considers this to be necessary. If significant changes are made to the compensation system, it is presented to the Annual General Meeting for approval again. The compensation system is also presented for approval at least every four years regardless of whether any significant changes have been made.

If the Annual General Meeting does not approve the compensation system presented to it, the compensation system is reviewed and presented to the next ordinary general meeting for approval at the latest.

The current Management Board compensation system applies with effect from 1 January 2021 for all members of the Management Board of Vonovia SE. Claims for compensation for periods prior to 1 January 2021, including those arising from prior provisions on variable compensation, continue to be governed by the respective underlying contractual provisions.

3. Definition of specific target total compensation by the Supervisory Board, appropriateness of Management Board compensation

In defining the specific target total compensation for the members of the Management Board, the Supervisory Board takes care to ensure that, in accordance with the provisions of the AktG and the GCGC, the specific target total compensation is commensurate with the tasks and performance of the Management Board members and the position of the Company, that it is geared towards the long-term, sustainable development of Vonovia SE, and that it does not exceed the customary compensation without special reasons for doing so. External and internal comparisons are used for this purpose.

A comparison with Vonovia SE's peer group (horizontal, external comparison) and the internal compensation structure (vertical, internal comparison) are applied in assessing the appropriateness of the compensation.

3.1 Horizontal comparison

In the horizontal – external – comparison, a group of companies that is suitable with regard to Vonovia SE's market position (particularly in terms of industry, size and country) is examined in order to assess the appropriateness and customariness of the amount and structure of the target total compensation. The companies in question are other DAX companies as well as a peer group of listed national and international companies from the real estate industry and from industries with comparable business models.

3.2 Vertical comparison

In addition to the horizontal – external – comparison, a vertical – internal – comparison of the Management Board compensation is performed. This involves comparing the Management Board compensation with the compensation paid to senior management, i.e. the first level of management below the Management Board, the other managers and – so that the workforce as a whole is taken into account – the other Vonovia employees working in real estate roles (Group-wide). In addition to the relationship between current compensation at the various levels, the Supervisory Board looks in particular at how the compensation of the aforementioned groups has developed over time. This comparison is also performed in the course of the regular review of the appropriateness of the compensation of Management Board members and thus also in the case of corresponding salary adjustments.

3.3 Differentiation based on job profile

The compensation system allows the Supervisory Board to take into account the function and area of responsibility of the individual Management Board members in determining the target total compensation. This means that the Supervisory Board may, at its discretion, differentiate by function on the basis of criteria such as standard market compensation, the experience of the respective Management Board member, the duration of their membership of the Management Board and their area of responsibility on the Management Board.

3.4 The compensation system at a glance

		Basis of assessment / Parameter	
Fixed compensation	Basic salary ("fixed salary")	<ul style="list-style-type: none"> Contractually agreed fixed compensation paid in twelve monthly instalments 	
	Pension provision	<p>Management Board members appointed prior to 2021</p> <p>Management Board members appointed from 2021 onwards</p>	<ul style="list-style-type: none"> Option of paying the annual pension contribution received in addition to the fixed salary into the existing deferred compensation model with guaranteed interest, which is also available for other employees; alternatively: payment of a defined fixed amount as additional cash compensation (pension payment) Possibility to switch to system for Management Board members appointed from 2021 onwards One Management Board member who is additionally employed by a foreign Group subsidiary receives a pension commitment (premium payments to a pension fund and additional pension payment) from that Group subsidiary No option of participating in the existing deferred compensation model Granting of an annual pension compensation (pension payment) in addition to the fixed salary in cash Option of contributing the pension payment to investment funds managed by an external service provider (no regular company pension scheme) Accumulated capital plus income paid out when benefits fall due
	Benefits in kind and other ancillary benefits	<ul style="list-style-type: none"> Private use of a company car or payment of a company car allowance and provision of equipment (especially communication equipment) 50% of the contributions to private health and long-term care insurance, limited to the maximum employer contribution to statutory health and long-term care insurance D&O insurance including legal protection Term life insurance in individual cases 	
Variable compensation	Short-term incentive (STI)	<p>Type:</p> <p>Limit cap:</p> <p>Performance criteria:</p> <p>Payout:</p>	<ul style="list-style-type: none"> Target STI 125% of target STI Group FFO Adjusted EBITDA Individual performance factor (0.8-1.2) Due one month after the Company's annual financial statements are adopted Paid in cash

Basis of assessment / Parameter		
Additional compensation conditions	Long-term incentive plan (LTIP)	<ul style="list-style-type: none"> Plan type: <ul style="list-style-type: none"> ▪ Performance share plan Limit / cap <ul style="list-style-type: none"> ▪ 250% of the award value Performance criteria: <ul style="list-style-type: none"> ▪ Relative total shareholder return (relative TSR) ▪ NTA per share ▪ Group FFO per share ▪ Sustainability Performance Index (SPI) Payout: <ul style="list-style-type: none"> ▪ As part of the next salary payment after the Company's annual financial statements are adopted following the end of the four-year performance period ▪ Paid in cash
	Maximum total compensation	<ul style="list-style-type: none"> ▪ The maximum total compensation is EUR 11 million p.a. (gross) for the Chairman of the Management Board and EUR 5.5 million p.a. (gross) for each of the other Management Board members.
	Malus / Clawback	<ul style="list-style-type: none"> ▪ Partial or full reduction in payment/demand for repayment of variable compensation ▪ May apply in the event of significant breaches of duty (for the year in which the breach occurs) and payments based on incorrect data ▪ Clawback period of one year after payout
	Change of control	<ul style="list-style-type: none"> ▪ Special right of termination of the Management Board member in the event of a change of control, upon exercise triggering compensation typically amounting to two years (in individual cases: three years) total annual compensation calculated on the basis of the total compensation of the last financial year, if applicable, of the current financial year less compensation during the notice period, but in any case limited to a maximum of the compensation for the remaining term of the respective service contract
	Provisions on shareholding	<ul style="list-style-type: none"> ▪ Obligation for the members of the Management Board to purchase shares of Vonovia SE with a value equivalent to 100% of their fixed salary, or 150% of their fixed salary in the case of the Chairman of the Management Board (shareholding to be built up within the first four financial years after appointment); on reappointment, the shareholding obligation increases to a value equivalent to 150% of the fixed salary, or 200% in the case of the Chairman ▪ Obligation to hold the purchased shares for the duration of the Management Board activity
Benefits on early termination of contract	<ul style="list-style-type: none"> ▪ In case of revocation of appointment severance pay amounting to two years total annual compensation calculated on the basis of the total compensation of the last financial year, if applicable, of the current financial year less compensation during the notice period, but in any case limited to a maximum of the compensation for the remaining term of the respective service contract; no severance pay in the event of extraordinary termination of the service contract by the Company for good cause ▪ In the event of death, continued payment of the fixed salary to surviving dependents for the month of death and the six following months as well as the STI on a pro rata basis until the end of the month of death 	

3.5 Components of the compensation system, weighting as part of total target compensation

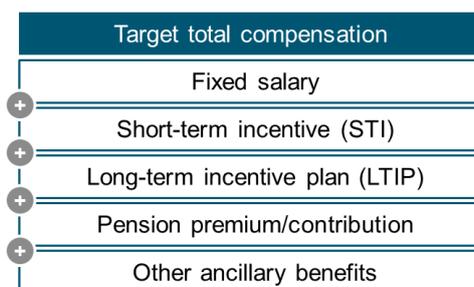
3.5.1 Components of the compensation system

The compensation system consists of fixed and variable components which make up the total compensation paid to each Management Board member.

The fixed compensation components are paid irrespective of the performance of the Company and comprise the fixed salary, benefits in kind and other ancillary benefits, and an annual pension contribution/pension payment.

The variable compensation components are tied to the attainment of performance targets defined in advance and comprise a short-term variable component in the form of a short-term incentive (STI) and a long-term variable component in accordance with the conditions of a long-term incentive plan (LTIP).

If the Management Board member achieves a target attainment level of 100% for both the STI and the LTIP, the total of these variable payments and the fixed salary plus the annual pension contribution/pension payment and other ancillary benefits make up the total target compensation of the respective Management Board member.



3.5.2 Relative weighting of the compensation components as part of total target compensation

The individual compensation components are weighted differently as part of the total target compensation. In the case of 100% target achievement, the STI is between 45% and 60% of the fixed salary, while the LTIP is between 120% and 200% of the fixed salary. As additional non-performance-related components of the compensation system, (i) an annual pension payment (including contributions to an external pension fund by a Group subsidiary for one Management Board member) is granted or (in case of participation in the deferred compensation model) an annual pension expense of between 60% and 80% of the fixed salary and (ii) ancillary benefits of between 3% and 8% of the fixed salary on average are granted.



These relative weightings may change by a few percentage points depending on fluctuations in valuation and the extent to which other ancillary benefits are utilised by the respective Management Board member (a flat-rate amount based on past experience is applied for the purposes of the percentage weightings shown here).

The target compensation structure described above ensures that compensation is geared towards the long-term, sustainable development of Vonovia SE. The high weighting of the LTIP ensures that the variable compensation resulting from the attainment of targets with a long-term focus exceeds the share of compensation attributable to targets with a short-term focus. At the same time, the weighting of the variable compensation and the STI serves to incentivise the achievement of the annual operating targets.

3.6 Maximum compensation

There is an upper limit on the amount of each of the variable compensation components. The STI payout is capped at 125% of the target STI. The LTIP payout may not exceed 250% of the award value.

In accordance with section 87a (1) sentence 2 no. 1 AktG, the Supervisory Board has also set an upper limit for the total of all component elements for one year (maximum compensation). This currently comprises the fixed salary, other ancillary benefits, annual pension cost in accordance with IAS 19 (or annual pension payment) and short-term variable and long-term variable compensation components. The maximum compensation serves to further limit the maximum total compensation that can be earned (total of the individual components in the event of maximum target attainment). It amounts to EUR 11 million p.a. (gross) for the Chairman of the Management Board and EUR 5.5 million p.a. (gross) for each of the other Management Board members (Including compensation for mandates at other Group companies. Due to the new regulations following ARUG II, the pension costs according to IAS 19 (or the annual pension payment) must be included in the calculation of the maximum compensation.).

This upper limit relates to the total payments made to a member of the Management Board for their Management Board activity for the respective financial year. Payouts of long-term variable compensation components under the respective LTIP are allocated to the year in which the underlying LTIP tranche was granted. Other ancillary benefits are recognised in the amount of their cash value for tax purposes. If the total of the payments made for a given financial year exceeds the defined maximum compensation, the payout under the LTIP granted for that financial year is reduced by the exceeding amount.

Any severance payments on early termination of the Management Board activity and other one-off payments not granted as consideration for performance by the Management Board member (e.g. relocation costs, compensation for loss of bonuses from the member's previous employer) do not count towards and are not limited by the maximum compensation.

4. Individual components of the compensation system

4.1 Fixed compensation

4.1.1 Fixed salary

Each Management Board member receives an annual basic salary ("fixed salary") for their Management Board activity. As a matter of principle, this also covers all activities at Vonovia Group companies, subsidiaries and affiliated companies and is paid in twelve equal monthly instalments. As a rule, the fixed salary also serves to compensate the respective Management Board member for any other activities within the Group. In individual cases, Management Board members may receive compensation from a Group company under the terms of an additional contract of employment for management activities performed for that Group company; however, this counts towards the target total compensation and maximum total compensation in accordance with this compensation system. The amount of the fixed salary paid by Vonovia reflects the role of the respective member within the Management Board (including the time involved in performing the Management Board activity if a management activity within the Group is remunerated separately), their experience and their area of responsibility, and the market conditions.

4.1.2 Other ancillary benefits

Each Management Board member also receives benefits in kind and other ancillary benefits (Where a Management Board member is additionally employed by a Group subsidiary for a management activity within the Group that is remunerated by that company, the other ancillary benefits may be provided by the Group subsidiary in part or in full). This includes the private use of a company car or, if the Management Board member prefers, the payment of a company car allowance as well as the provision of the equipment required for the performance of the Management Board activity (e.g. communication equipment). The private use of a company car is taxed as a non-cash benefit, with the tax being borne by the Management Board member. The operating costs for the company car are borne by Vonovia SE.

Vonovia SE also pays 50% of the contributions to private health and long-term care insurance, limited to the maximum employer contribution to statutory health and long-term care insurance. In individual cases, term life insurance may be concluded for a Management Board member. In addition, D&O insurance including legal protection is concluded for the Management Board

members. In accordance with section 93(2) sentence 3 AktG, the deductible for the Management Board members under the D&O insurance amounts to 10% of the loss or one and a half times the respective annual fixed salary. Business and travel expenses are reimbursed in accordance with the applicable reimbursement policies.

All Management Board members are entitled to the same ancillary benefits as a matter of principle; however, the individual benefits and, in particular, the amount may vary depending on the personal situation of the respective member and the extent to which the benefits are utilised. The Supervisory Board may grant different or additional ancillary benefits in line with standard market conditions.

4.1.3 Pension provisions

Management Board members appointed prior to 1 January 2021 may participate in Vonovia's company pension system providing they do not have a pension commitment resulting from another contract of employment within the Group. Vonovia's pension system includes the option of paying the annual pension amount into the "Pension contributions instead of cash compensation" deferred compensation model in its current version. Other employees also participate in this pension system. Management Board members receive the pension contribution in addition to their fixed salary. The pension contributions paid in are converted into a pension entitlement with a fixed interest rate and paid out as an annuity based on actuarial principles depending on the age of the respective member. Additional insolvency cover is provided from the date on which the total of the pension components financed through deferred compensation exceeds the limits of the cover provided by the Pensionsversicherungsverein (pension guarantee association) in accordance with section 7(3) of the German Company Pensions Act (BetrAVG). As an alternative to paying the pension contribution into the deferred compensation model, Management Board members may opt to receive a defined fixed amount as additional cash compensation. The present compensation system provides for the possibility that the Management Board members may also choose to be granted a higher pension payment in accordance with the provision under 4.1.4 for Management Board members newly appointed as of 1 January 2021 instead of the pension contributions under the current deferred scheme. The option of participating in the existing deferred scheme shall cease to apply with effect for the future (one-time option) after choosing the pension payment. One Management Board member is granted a company pension by a Group subsidiary under the terms of an additional employment relationship for a management activity at that company in the form of contributions to a foreign pension fund and a defined pension payment as additional fixed compensation; under certain circumstances, the pension payment may also be paid into the pension fund at the request of the Management Board member.

4.1.4 Pension payment

Management Board members appointed for the first time after 1 January 2021 may not participate in the current “Pension contributions instead of cash compensation” deferred compensation model. They receive a non-performance-based fixed amount (pension payment) in addition to their fixed salary in cash. They have the option of contributing this pension payment to selected investment funds via an external service provider and receiving the accumulated capital plus income as a one-off payment when benefits fall due. Benefits under the new pension system do not constitute a company pension within the meaning of the BetrAVG and hence are not accounted for as such in the Company’s financial statements.

4.2 Variable compensation

The variable compensation components for Management Board activity are geared towards the attainment of annual operating targets as well as the long-term, sustainable development of Vonovia SE. The short-term variable compensation components (STI) and the long-term variable compensation components – the performance share plan (LTIP) – are used to assess the performance of the Management Board members from different perspectives and over different periods of time (performance periods). In particular, they differ in terms of the financial and non-financial performance indicators applied in measuring the respective payment. The selection of the performance criteria focuses in particular on the implementation of the strategy, i.e. the performance criteria support Vonovia SE’s growth strategy while also incentivising increased profitability and competitiveness. The inclusion of different transparent performance criteria allows the success of Vonovia SE to be reflected multidimensionally and in its entirety.

4.2.1 STI

a. STI – principles and performance criteria

The Management Board members are entitled to short-term variable compensation in the form of an STI for each financial year of the Company. The amount of the STI depends on the attainment of certain business targets that are mutually agreed by the Supervisory Board and the Management Board member in the previous year for the following financial year. In addition, the Supervisory Board can set individual performance targets with individual or all Management Board members before the beginning of the financial year, which are included in the target achievement in the form of an individual performance factor (ILF) as a multiplier with a value of 0.8 to 1.2. Individual performance targets can also be set jointly for several Management Board members.

Target attainment for the payment of the STI is determined on the basis of the following performance criteria:

- Group funds from operations (Group FFO)
- Adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA)
- If applicable individual performance targets

The two financial performance criteria (Group FFO and adjusted EBITDA) are significant operational business targets that reflect the Company's financial success. Group FFO reflects the earnings contributions of all four segments (Rental, Value-add, Recurring Sales and Development) and, together with adjusted EBITDA, is one of the most important performance indicators at overall Group level. In respect of the STI, Group FFO represents the performance criterion for the ability to pay dividends. Adjusted EBITDA constitutes EBITDA adjusted for prior-period, irregularly occurring and atypical items. A distinction is made between adjusted EBITDA for the four segments and total adjusted EBITDA, which represents the total of the adjusted EBITDA for the four segments. Adjusted EBITDA expresses the overall performance of Vonovia SE's sustainable operating business before interest, taxes, depreciation and amortisation. The calculation of overall target attainment for the purposes of the STI is based either on total adjusted EBITDA or on the adjusted EBITDA of the segments for which the respective Management Board members are responsible.

Group FFO, which describes Vonovia SE's sustainable operating earnings strength, is calculated by adjusting total adjusted EBITDA for current interest expenses and eliminating extraordinary items, current income taxes and consolidation effects. Group FFO is a key performance indicator in particular because financing is central to the success of Vonovia SE's business activities. Accordingly, incentivising Group FFO and adjusted EBITDA are extremely important for Vonovia SE's business success.

Individual performance targets and/or expectations for the Management Board members are derived in particular from the respective departmental responsibilities, support the corporate strategy and should also take into account the interests of the relevant stakeholders. Together with the performance targets, performance criteria are set, based on which the Supervisory Board determines an individual performance factor of 0.8 to 1.2 for each Management Board member after the end of the financial year.

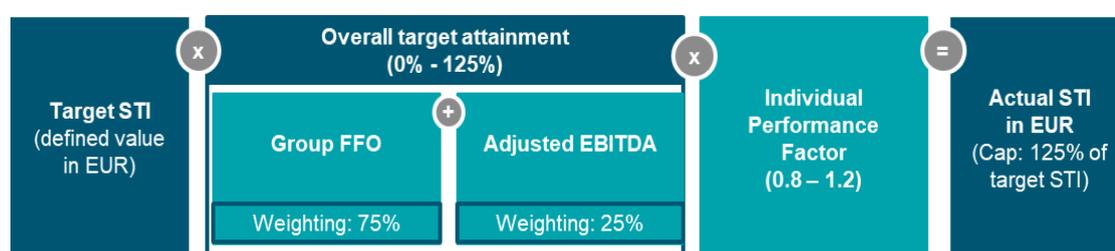
The possibility of extraordinary developments within the meaning of section 87 (1) sentence 3 AktG must be taken into account to an appropriate extent in defining all targets. In the event of

extraordinary circumstances (e.g. a severe economic or financial crisis, terrorist attacks or expropriation), the Supervisory Board has the option of adjusting the notional STI entitlement at its own discretion (up to the limit of the STI cap). If the service contract is not in place for the full financial year, the STI is paid on a pro rata basis for the portion of the respective financial year for which the service relationship was in place. Any STI is payable one month after the Company's annual financial statements are adopted.

In individual cases, Management Board members may, under the terms of an additional contract of employment with a Group subsidiary, receive variable compensation from that Group subsidiary in the form of an annual bonus whose amount depends on the attainment of certain qualitative and quantitative targets for the subsidiary's business. Variable compensation components from a Group subsidiary count towards the total target compensation and maximum compensation in accordance with this compensation system.

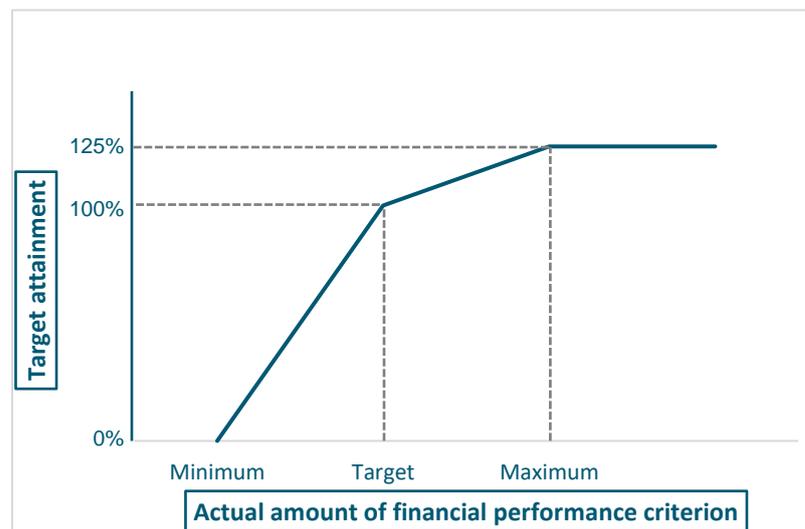
b. STI – how it works and weighting

The STI granted by Vonovia takes the form of a target bonus system. The target STI is defined for each Management Board member in the respective service contract. An individual actual STI is determined at the end of the financial year depending on the attainment of the financial performance criteria and – if applicable – the set individual performance targets described in section 4.2.1.a. This actual STI is capped at 125% of the target STI. The performance criteria are linked additively and weighted differently depending on their relevance. Group FFO is included in the calculation with a weighting of 75%, while adjusted EBITDA is weighted at 25%.



An ambitious target attainment curve is applied for the financial performance criteria of adjusted EBITDA and Group FFO. Every year, the Supervisory Board defines a target and a minimum and maximum value for each of these performance criteria based on annual planning. If the performance criterion reaches the target exactly, this corresponds to target attainment of 100%. If the actual value amounts to the minimum value or lower, this corresponds to target attainment of 0%. If the actual value amounts to the maximum value or higher, this corresponds to target attainment of 125%.

Between these values, target attainment is calculated by way of linear interpolation.



The individual performance of a Management Board member is evaluated on the basis of the individual performance criteria. If the Supervisory Board has not set any individual performance targets for a Management Board member for a financial year, the individual performance factor shall be 1.0.

The target attainment curve reflects the strict pay-for-performance principle underlying the Management Board compensation system at Vonovia SE. The target and the minimum and maximum value for the respective financial year, the actual value achieved and the resulting target attainment are published ex post in the compensation report. A comparable approach is taken with respect to the individual performance factor.

4.2.2 Long-term incentive plan (LTIP)

a. LTIP – principles and performance criteria

In addition to the STI, the members of Vonovia’s Management Board are granted an annual compensation component with a long-term incentive effect and a balanced risk-reward profile in the form of virtual shares (“performance shares”) in accordance with the provisions of the applicable LTIP. The share-based model ensures that the performance shares of the Management Board members are subject to the development of the share price over the performance period of four years and are thus dependent on it. Through the contractually agreed shareholding provisions, the Management Board members remain invested in the company and thus follow the equally aligned interests of the shareholders in a positive corporate development.

The actual amount paid out is calculated on the basis of the number of performance shares initially allocated, target attainment during the performance period and the development of

Vonovia SE's share price including dividends paid during the performance period. Target attainment is determined using the following performance criteria:

- Relative total shareholder return (relative TSR)
- NTA (net tangible assets) per share
- Group FFO (funds from operations) per share
- Sustainability Performance Index (SPI)

The three financial performance criteria – relative TSR, NTA per share and Group FFO per share – incentivise the Company's long-term value appreciation. This ensures that the interests of the Management Board are even more closely aligned with the interests of the shareholders. At the same time, the interests of stakeholders are specifically taken into account through the use of the SPI. This serves to incentivise the long-term and sustainable growth of Vonovia SE.

Total shareholder return (TSR) describes the share price performance of Vonovia SE during the performance period plus the gross dividends per share paid and notionally reinvested during the same period. To reduce distorting effects at the reporting date, the TSR is calculated on the basis of the Company's closing price on the last 60 trading days prior to the start and end of the performance period. Including the share price and dividends is the best way of reflecting the Company's value appreciation on the capital markets. The LTIP applies the relative TSR as a performance criterion in order to additionally incentivise outperformance compared with relevant market participants. This involves comparing the TSR of Vonovia SE with the TSR of relevant market participants. The comparison is performed using the outperformance method: The relative TSR is calculated as the difference between the TSR of Vonovia SE and the TSR of the benchmark index in percentage points. Due to the size, industry and portfolio of Vonovia SE, the benchmark index consists of the companies in the FTSE EPRA/NAREIT Germany Index. However, the peer group applied in determining the relative TSR could be redefined in future in the event of relevant changes.

The second financial performance criterion, NTA per share, is also one of Vonovia SE's key performance indicators. It reflects the value of the Company's real estate assets and modernisation and construction activity and hence is significant for the Company's value development. As a matter of principle, NTA per share is calculated on the basis of the NTA in accordance with the ERPA Best Practice Recommendations. The NTA calculated in line with these criteria is divided by the number of shares at the reporting date (NTA at reporting date to number of shares (non-diluted) at reporting date).

Group FFO is another highly relevant controlling parameter for Vonovia SE (see section 4.2.1.a.). In addition to ensuring operational earnings strength on an annual basis, it is important to incentivise long-term, sustainable earnings growth, which is why Group FFO per share is included in the LTIP as a performance criterion. The four-year performance analysis focuses on the long-term development of Group FFO.

Alongside the three financial targets, non-financial performance criteria are included in calculating the LTIP payout in the form of the SPI. This ensures that additional important non-financial objectives forming a key part of the Company's corporate philosophy are taken into account to an appropriate extent. The SPI includes environmental, social and governance targets that are of fundamental importance to Vonovia AG's long-term, sustainable growth.

The targets included in calculating the SPI are determined by the Supervisory Board at the start of each performance period. To enable specific incentives to be set, they may vary from one performance period to the next. Particular attention is paid to ensuring that the targets are strategically relevant, transparent and measurable. To this end, the targets are also published ex post in the compensation report. Potential targets include reducing CO₂ intensity in the portfolio, energy-efficient new construction, the number of accessible (partially) modernised apartments, increasing customer satisfaction, increasing employee satisfaction, and management diversity. With the introduction of the SPI as a performance criterion, input factors for sustainable corporate development are now also taken into account.

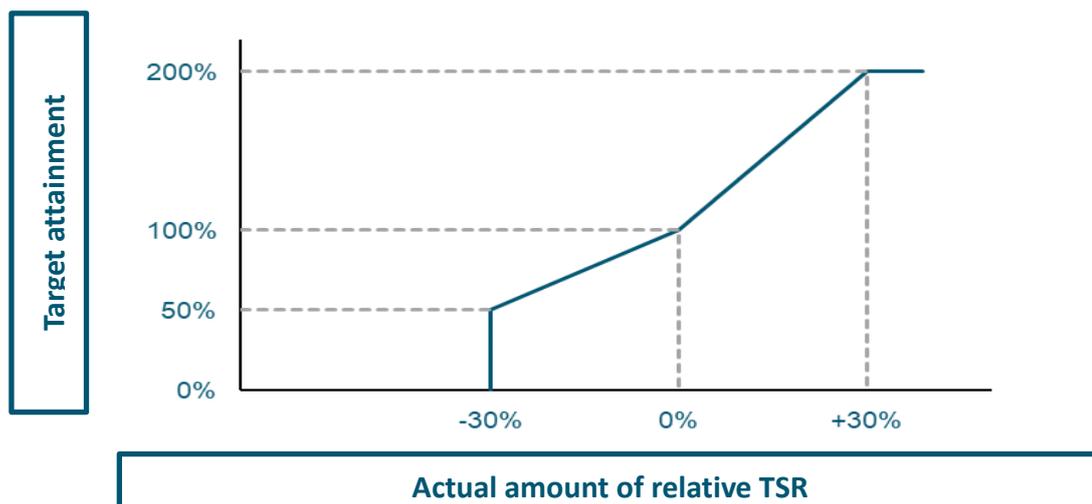
b. LTIP – how it works and weightings

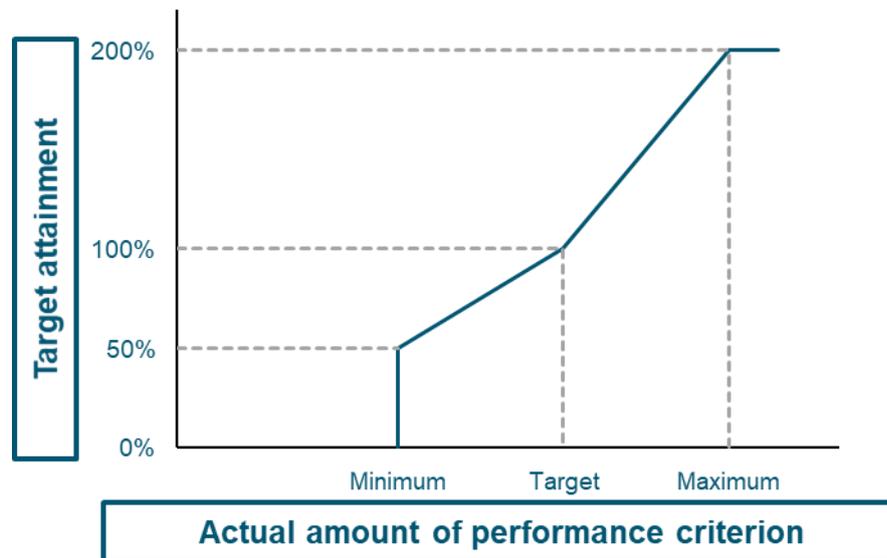
In order to come as close as possible to a purely share-based system, a contractually agreed award value is transferred into an initial number of virtual shares (“performance shares”) at the beginning of each year on the basis of the present share value. The initial number of performance shares corresponds to the award value divided by the average closing price on the last 60 trading days prior to the start of the performance period (“initial share price”), rounded up to the next whole share. The final number of performance shares at the end of the four-year performance period depends on the attainment of the financial and non-financial performance criteria described in section 4.2.2.a. These performance criteria are linked additively and each weighted at 25%.



Equally ambitious target attainment curves ranging from 0% to 200% are applied for all four performance criteria. Before the start of each performance period, the Supervisory Board defines a target corresponding to target attainment of 100% for each performance criterion. A minimum and maximum value are also defined. If the actual value amounts to the minimum value, this corresponds to target attainment of 50%; if the actual value is lower, this corresponds to target attainment of 0%. From the maximum value upwards, target attainment is capped at 200%. Between these values, target attainment is calculated by way of linear interpolation.

Example of a target attainment curve:





After the end of the respective performance period, the initial number of performance shares is multiplied by the overall target attainment and rounded up to the next whole share to determine the final number of performance shares.

The final number of performance shares is multiplied by the average closing price on the last 60 trading days prior to the end of the performance period (“final share price”) (including the total of the dividends per share paid during the performance period based on the final number of performance shares). The result is the gross payout in cash.

The amount paid out for each tranche of performance shares as part of the LTIP may not exceed 250% of the award value of the respective LTIP tranche at the start of the relevant performance period for the LTIP tranche (cap).

In accordance with recommendation G.11 S. 1 of the GCGC 2020, the Supervisory Board has the option to take into account extraordinary developments to an appropriate extent in order to maintain or restore the original value ratios. The payment for the respective performance period is due as part of the next salary payment after the Company’s annual financial statements are adopted following the end of the respective performance period, and in any case no later than 31 December of the financial year following the end of the performance period.

4.3 Shareholding obligation

To ensure that the interests of the Management Board and the shareholders remain aligned and to reinforce the Company’s sustainable development, the compensation system requires the Management Board members to purchase and hold shares in the Company. Accordingly, each Management Board member is obliged to purchase shares of Vonovia SE until the end of the

first four years of their Management Board activity and to hold them until the end of their appointment (“restricted shares”). As a matter of principle, the number of shares to be held is calculated as the respective member’s annual gross fixed salary divided by the arithmetic mean (rounded to two decimal places) of the Company’s closing share price on the last 60 trading days prior to the member being appointed to the Management Board (rounded to whole numbers). If the member already owns Vonovia SE shares, these are taken into account in calculating the number of shares to be held. In the event of a change in the member’s annual fixed salary or a share split, the number of restricted shares subject to the holding period must be recalculated according to the same formula. When a Management Board member is reappointed for the first time, the minimum number of restricted shares to be held increases to 150% of their annual fixed salary. The increased number of restricted shares must be acquired and held after eight years at the latest. The Chairman of the Management Board is obliged to purchase restricted shares with a value equivalent to 150% of his annual gross fixed salary according to the above formula. When the Chairman of the Management Board is reappointed for the first time, the minimum number of restricted shares increases to 200% of his annual fixed salary.

4.4 Malus / Clawback

The service contracts of the Management Board members of Vonovia SE contain malus and clawback clauses that allow the Supervisory Board to reduce the payment or demand the repayment of variable compensation components at its discretion in certain cases. This option exists when a Management Board member demonstrably breaches their obligations in a way that allows for their legally effective extraordinary termination or demonstrably breaches their significant duties of care in accordance with section 93 AktG through wilful intent or gross negligence.

If variable compensation components are determined or paid out on the basis of incorrect data, e.g. inaccurate consolidated financial statements, the Supervisory Board may correct the level of compensation to be paid or demand the repayment of compensation components that have already been paid out.

A reduction or demand for repayment in the cases described above is possible until one year after the payment of the respective variable compensation component. As a matter of principle, the reduction or demand for repayment is recognised for the year in which the breach occurred.

The malus and clawback clauses do not affect any liability for damages to the Company on the part of the Management Board member.

Corresponding malus and clawback clauses also apply for variable compensation payments by a Group subsidiary for separately remunerated management activities at that company.

5. Termination of Management Board activity

5.1 Contract duration, termination options

Service contracts of Management Board members are concluded for the duration of the respective appointment. This is typically three years for the initial appointment and five years for each subsequent reappointment. In accordance with the AktG, the service contracts do not provide for ordinary termination; this does not affect the mutual right to immediately terminate the service contract for good cause. Service contracts of Management Board members expire automatically when the member reaches the age of 67 or if the member is incapacitated or becomes unable to work due to illness for the foreseeable future. Furthermore, they expire at the end of the statutory termination period in accordance with section 622(2) of the German Civil Code (BGB) if the member's appointment is revoked by the Supervisory Board ("connection clause").

5.2 Early termination

5.2.1 Severance payments

If a service contract of a Management Board member is terminated early due to their appointment being revoked, the member has a contractual right to receive severance pay. In line with the recommendations of the GCGC, the amount of this severance pay is limited to a maximum of twice the total annual compensation (i.e. fixed salary, ancillary benefits, pension, contribution/pension payment, STI and LTI) (severance cap) less the payments for any notice period and may not exceed the compensation for the remaining term of the service contract. The contractual severance pay and the contractual severance cap are calculated on the basis of the total compensation for the financial year preceding the early termination of the Management Board activity and, where applicable, on the basis of the expected total compensation for the current financial year. No severance is paid when a service contract of a Management Board member is terminated by the Company for good cause.

In individual cases, an additional contract of employment with a Group subsidiary relating to a management activity that is remunerated separately by that company may provide for a severance payment by the Group subsidiary in the event of the early termination of the management activity (other than for good cause). In line with the recommendations of the GCGC, the amount of any severance pay under a contract of employment with a Group subsidiary is also limited to a maximum of twice the total annual compensation (severance cap) less the payments for any notice period and may not exceed the compensation for the remaining

term of the contract of employment. However, any claim to severance pay does not apply if the contract of employment with Vonovia remains in place (in amended form).

5.2.2 Compensation for resignation due to change of control

In the event of a change of control resulting in defined instances of interference in the independence of the Management Board or significant changes to the composition of the Management Board or Supervisory Board, the members of the Management Board have the right to resign from their position and terminate their service contract. If a Management Board member exercises this right, this gives rise to a contractual right to severance pay in the amount of the severance cap mentioned in 5.2.1, providing this does not exceed the compensation for the remaining term of the respective service contract; one Management Board member may receive severance pay due to a change of control in the amount of 150% of the aforementioned severance cap (*i.e.* of up to three total annual compensations) in accordance with the preceding recommendation in section 4.2.3 paragraph 5 GCGC 2017, providing this does not exceed the compensation for the remaining term of the respective service contract. In the interest of flexibility and the preservation of existing rights, corresponding severance payment regulations can also be agreed upon or continued in the future in accordance with the previous Code recommendation from section 4.2.3 paragraph 5 GCGC 2017.

5.2.3 LTIP on early termination

If a service contract of a member of the Management Board ends due to expiry, death or revocation of appointment, the initial number of performance shares granted for the year in which the service contract ends is reduced by one-twelfth for each month in which the service relationship ends prior to the end of the respective calendar year. The other tranches are not reduced. If the service contract of the Management Board member is subject to extraordinary termination by Vonovia for good cause in accordance with section 626(1) BGB before the end of the performance period or the Management Board member resigns from their position without the Company establishing good cause for them doing so, all the member's rights and claims under the LTIP shall be forfeited with immediate effect and without compensation. This does not apply to claims in connection with performance shares for which the performance period has expired when the service contract ends.

If the service contract continues in the event of a change of control, the LTIP is amended while preserving the value ratios that were in place when the change of control became effective or is replaced by a new form of long-term variable compensation with a comparable value and economic effect. If the service contract of a Management Board member ends due to a change of control, all current performance periods end on the date on which the service contract ends.

Target attainment of 100% is assumed for all performance targets, and the last asking price when the change of control became effective is applied as the final share price in determining the amount to be paid out. Payment is made within one month following the end of the service contract.

5.2.4 Incapacity / Surviving dependents' benefits

If a Management Board member is temporarily or permanently incapacitated due to illness, the Company shall pay the fixed salary for up to twelve months from the start of such incapacity, and in any case only up until the end of the service relationship. The Supervisory Board may reduce the STI on a pro rata basis if the Management Board member is incapacitated for more than six months of the financial year (not necessarily continuously).

If the Management Board member dies, their surviving dependents are entitled to the continued payment of the fixed salary for the month of death and the six following calendar months. The STI is paid on a pro rata basis until the end of the month of death, with the expected attainment of the business targets being determined by the Supervisory Board at its discretion and taking into account the past and expected future course of business in the respective calendar year.

5.3 No further provisions on severance payments

With the exception of the provisions described in section 5.2, the Management Board compensation system does not provide for any severance payments.

5.4 Post-contractual restraint on competition

The Supervisory Board may impose a post-contractual restraint on competition for a period of up to 24 months. Appropriate compensation is to be determined on a case-by-case basis taking the statutory provisions in sections 74 et seq. German Commercial Code (HGB) for employees into careful consideration and is granted for this period (compensation for non-competition). This is paid in instalments at the end of each month. Any statutory fees on this amount are borne by the Management Board member. The Supervisory Board decides whether any severance payments due to early termination of Management Board activity (see section 5.2) count towards the compensation for non-competition on a case-by-case basis when resolving the respective restraint on competition.

6. Ancillary activities of Management Board members

As a matter of principle, the fixed salary compensates the respective Management Board member for all activities performed on behalf of the Company and its affiliated companies. In particular, this includes positions on the supervisory boards of other Group companies. If claims

for compensation arise in respect of affiliated companies, these are generally counted towards the fixed salary; in one individual case, compensation components for management activity at a Group company are paid under the terms of an additional service contract with that company. With regard to compensation for positions on the supervisory boards of non-Group companies, the Supervisory Board decides whether and to what extent this compensation is counted towards the fixed salary on a case-by-case basis. The service contract may require a Management Board member to donate any income earned from other activities performed in the interests of the Company (e.g. from positions in associations) to the Vonovia Foundation (unless otherwise specified by the Supervisory Board of the Vonovia Foundation).

7. Temporary deviations

In exceptional circumstances, the Supervisory Board may temporarily deviate from the compensation system if this is necessary for the long-term good of the Company. Generally unfavourable market conditions are expressly deemed not to constitute exceptional circumstances for the purposes of this provision. Far-reaching and extraordinary changes in the economic situation, e.g. due to a severe economic crisis, may constitute exceptional circumstances for the purposes of this provision. Exceptional circumstances may also include the adjustment of the compensation system to reflect a significant change in the corporate strategy in order to ensure suitable incentivisation. Even in the event of a deviation from the existing compensation system, compensation must continue to be geared towards the long-term, sustainable development of the Company and may not overburden the Company's financial capacity. Any deviation from the compensation system is permitted only on the basis of a corresponding Supervisory Board resolution proposed by the Executive Committee, which identifies the exceptional circumstances and the need for a deviation.

The option of temporarily deviating from the compensation system for the Management Board is limited to the following elements: performance criteria for short-term and long-term variable compensation, potential target attainment ranges for the individual elements of variable compensation, the relative shares of the fixed and variable compensation components, and occasional expenses for extraordinary ancillary benefits. If the adjustment of the existing compensation components is not sufficient to restore the incentive effect of the Management Board compensation, the Supervisory Board has the option of responding to exceptional circumstances by temporarily granting additional compensation components under the same conditions.