Annex 3 to the Invitation to the Annual General Meeting of Vonovia SE on 29 April 2022 at 10:00 hours

Vonovia SE, Bochum
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<u>Agenda item 9: Report of the Management Board on the reasons for the authorization to exclude subscription rights (Authorised Capital 2022)</u>

Regarding Agenda Item 9 of the Annual General Meeting on 29 April 2022, the Management Board and the Supervisory Board propose the cancellation of the remaining Authorized Capital 2021 pursuant to § 5 of the Articles of Association in the amount of EUR 81,603,587.00 and that a new authorized capital with the authorization to partially exclude subscription rights (Authorized Capital 2022) be approved. Pursuant to section 203(2) sentence 2 AktG in conjunction with section 186(4) sentence 2 AktG, the Management Board hereby provides the following report on the reasons for authorizing the exclusion of shareholder subscription rights with the issuance of the new shares:

The European residential property markets continue to be characterized by stiff competition for attractive residential property portfolios. Consequently, the Company is dependent on being and on remaining able to flexibly increase its own funds quickly and comprehensively. Therefore, an increase of the authorized capital up to approximately 30% of the Company's share capital is proposed. For this purpose, the intention is to cancel the Authorized Capital 2021 and to create a new Authorized Capital 2022.

It is intended that the cancellation of the Authorized Capital 2021 and the creation of the Authorized Capital 2022 will only become effective if no further shares must be issued out of the Authorized Capital 2021 pursuant to Agenda Item 2 to satisfy the scrip dividend.

The new authorized capital (Authorized Capital 2022) proposed in relation to Agenda Item 9 of the Annual General Meeting on 29 April 2022 is designed to authorize the Management Board, with the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 233,000,000.00 in the period ending on 28 April 2027, by issuing up to 233,000,000 new no-par-value registered shares against cash and/or in kind contributions on one or several occasions. The volume of the new Authorized Capital 2022 is therefore about 30% of the Company's current share capital.

The Company's Management Board shall only be entitled to use the Authorized Capital 2022 in an amount of 30% of the share capital at the time said authorization comes into effect or – if such amount is lower – at the time it is exercised. Any shares already issued or to be issued to satisfy bonds with conversion or option rights or obligations from conditional capital are to be included in this 30 % cap on the share capital, provided these bonds were issued during the term of this authorization. This is intended to prevent the Management Board from increasing the share capital by more than 30 % when exercising existing authorizations. The cap, decreased under the preceding sentences of this paragraph, shall be increased again when a new authorization pursuant to section 202 or section 221 (in conjunction with a conditional capital pursuant to section 192 AktG) approved by the Annual General Meeting after the decrease becomes effective, to the extent of the reach of the new authorization, but up to a maximum of 30% of the share capital in accordance with the stipulations of sentence 1 of this paragraph.

In this context, the Management Board states the following: The rights issue capital increase carried out at the end of 2021 caused that the authorization to issue bonds granted by the Annual General Meeting on 16 April 2021 is reduced due to a corresponding offset provision in the authorization to issue bonds. If the proposed Authorized Capital 2022 is created, the authorization to issue bonds will automatically increase to the volume of Authorized Capital 2022 due to a replenishment provision provided for in the authorization to issue bonds granted by the Annual General Meeting on 16 April 2021. The Management Board undertakes to issue bonds on the basis of the authorization granted by the Annual General Meeting on 16 April 2021 under Agenda Item 9 only to the extent that the number of shares which were issued or are to be issued to satisfy bonds with conversion or option rights or obligations from conditional capital does not exceed 30% of the share capital at the time the Authorized Capital 2022 comes into effect or – if such amount is lower – at the time the authorization issued by the Annual General Meeting on 16 April 2021 under Agenda Item 9 is exercised. Shares issued as of when the Authorized Capital 2022 becomes effective are to be included in this 30% cap of the share capital.

The purpose of the Authorized Capital 2022 is to enable the Company to continue to raise the capital required for the further development of the Company at short notice by issuing new shares, and to give it the flexibility to benefit from a favorable market environment at short notice in order to cover its future financing requirements. As the decisions regarding covering future capital requirements generally need to be made at short notice, it is important that the Company is not dependent on the rhythm of the Annual General Meetings or on the notification period for convening an Extraordinary General Meeting. The legislator has accommodated these circumstances with the instrument of "authorized capital".

When using the Authorized Capital 2022 in order to issue shares in return for cash contributions, the shareholders are in principle entitled to a subscription right (section 203(1) sentence 1 AktG in conjunction with section 186(1) AktG). The issuance of shares coupled with the granting of an indirect subscription right within the meaning of section 186(5) AktG is, by law, not to be classified as the exclusion of subscription rights, as the shareholders are awarded the same subscription rights as with a direct subscription. Purely for technical reasons, one or more banks or one or more undertakings operating pursuant to section 53(1) sentence 1 of the German Banking Act (KWG) or section 53b (1) sentence 1 or (7) KWG will be involved in the handling thereof.

Nonetheless, with the approval of the Supervisory Board, the Management Board shall be authorized to exclude subscription rights under certain circumstances.

(i) With the approval of the Supervisory Board, the Management Board shall be authorized to exclude subscription rights for fractional amounts.
The purpose of this subscription rights exclusion is to facilitate an issuance principally involving shareholder subscription rights, as it results in a subscription ratio that is technically feasible. The value of each shareholder's fractional amount is generally low and as such the potential dilutive effect is also be deemed to be low. In contrast to this, the required effort for the issue without such an exclusion is considerably greater. The exclusion therefore makes the issue more practicable and easier to implement. New shares which, as fractional amounts, are excluded from shareholder subscription rights will either be sold on the stock exchange or realized otherwise in the best possible manner for the Company. For these reasons, the Management Board and the Supervisory Board consider the potential exclusion of subscription rights to be objectively justified and also appropriate when weighed against the interests of shareholders.

(ii) Furthermore, the Management Board, with the approval of the Supervisory Board, shall be authorized to exclude subscription rights to grant the holders/creditors of convertible bonds, warrant bonds, profit participation rights and/or participating bonds (or combinations thereof) (hereinafter collectively "**bonds**") subscription rights to new shares. The terms of issue of bonds with conversion or option rights or obligations generally include anti-dilution provisions that grant holders/creditors subscription rights to new shares in subsequent share issuances or certain other measures.
Such holders/creditors are thus treated as if they were already shareholders. For bonds to feature such anti-dilution measure, shareholder subscription rights to such shares have to be excluded. This serves to facilitate the placing of such bonds and is therefore in the interests of shareholders in an optimum financial structure of the Company. Apart from that, the exclusion of subscription rights for the benefit of the holders/creditors of bonds has the advantage that, in the event that the authorization is exercised, the option or conversion price does not have to be reduced for the holders/creditors of existing bonds in accordance with the relevant bond terms. This allows for a greater inflow of funds and is therefore in the interests of the Company and its shareholders.

(iii) Subscription rights may additionally be excluded in the case of cash capital increases provided that the shares are issued at a price that is not significantly below the stock market price and such a capital increase does not exceed 10% of the share capital, in fact – since it is Authorized Capital – neither at the time the authorization becomes effective nor – if this amount is lower – at the time it is exercised (simplified exclusion of subscription rights pursuant to sections 203(1) and (2), 186(3) sentence 4 AktG).

The authorization enables the Company to react flexibly to favorable capital market situations and to issue new shares very quickly, i.e. without meeting the requirement of a two-week subscription offer period. The exclusion of subscription rights enables the Company to act quickly and to place shares close to the stock market price, i.e. without the usual discount in connection with subscription right issues. This creates the parameters for achieving the highest possible disposal amount and for the greatest possible strengthening of the Company's equity. The authorization of the simplified exclusion of subscription rights is objectively justified, not least by the fact that a greater cash inflow can often be achieved as a result.

The authorization to exclude subscription rights in the event of capital increases must not exceed 10% of the Company's share capital either at the time at which the Authorized Capital 2022 becomes effective or – if this amount is lower – at the time at which it is exercised.

The proposed resolution further provides for a deduction clause: This cap of a maximum 10% of the share capital includes shares in the Company issued or sold during the term of the authorization, excluding shareholder subscription rights pursuant to or in analogous application of section 186(3) sentence 4 AktG. Any shares already issued or to be issued to satisfy bonds with conversion or option rights or obligations are also to be included in this cap, insofar as these bonds were issued during the term of this authorization without subscription rights in analogous application of section 186(3) sentence 4 AktG. This inclusion is effected in line with the shareholders' interests that their investments be diluted as little as possible.

The cap, decreased under the preceding inclusion clause, shall be increased again when a new authorization to exclude shareholder subscription rights pursuant to or in line with section 186(3) sentence 4 AktG approved by the General Meeting after the decrease becomes effective, to the extent of the reach of the new authorization, but up to a maximum of 10% of the share capital in accordance with the stipulations of sentence 1 of the respective paragraph. This is because in such case(s), the Annual General Meeting may decide again on the simplified exclusion of shareholder subscription rights, meaning that the reason for inclusion has ceased to apply. This is because, with the effectiveness of the new authorization for a simplified exclusion of subscription rights, the ban regarding the authorization to issue the bonds without shareholder subscription rights brought about by the exercise of the authorization to issue new shares or to issue bonds or by the sale of own shares shall lapse. Due to the identical majority requirements for such a resolution, the renewed authorization for the simplified exclusion of subscription rights is at the same time also to be seen – to the extent that the statutory requirements are observed – as a confirmation regarding this authorization resolution. In the event of a renewed exercise of an authorization to exclude subscription rights in direct or analogous application of section 186(3) sentence 4 AktG, the deduction is carried out again.

The simplified exclusion of subscription rights is conditional on the issue price for the new shares not being significantly below the stock market price. Subject to specific circumstances in individual cases, a potential deduction from the current stock market price or a volume weighted stock market price over an appropriate number of trading days prior to the definitive determination of the issue amount will likely – taking a different dividend entitlement into account, where appropriate – not exceed approximately 5% of the stock market price in question. This also ensures that shareholders are protected against dilution of their shareholdings. Determining an issue price close to the stock market price ensures that the value of subscription rights for the new shares would, in practical terms, be very low. The shareholders have the opportunity to maintain their relative investments by effecting additional stock market purchases.

(iv) Subscription rights may also be excluded in capital increases against contributions in kind. The Company should continue to be able to acquire, without limitation, companies, parts of companies, interests in companies (including by way of merger or other measures under transformation law) or other assets (including receivables), properties or property portfolios relating to a proposed acquisition or to respond to offers of acquisitions or mergers in order to strengthen its competitiveness and to increase its profitability or enterprise value. The exclusion of subscription rights should also serve to service convertible bonds and/or warrant bonds or combinations thereof issued against contributions in kind.

Practice has shown that some shareholders in attractive acquisition targets are very interested in acquiring the Company's no-par value (voting) shares as consideration, for example to maintain a certain degree of influence over the object of the contribution in kind. The option to provide consideration not only by way of cash payments but also, or exclusively, by way of shares, in view of an optimum financial structure, is also supported by the fact that the Company's liquidity is protected, leverage is avoided and the seller(s) participate(s) in future price potential to the same extent as new shares can be used as an acquisition currency. This improves the Company's competitive position in acquisitions.

The option of using Company shares as an acquisition currency gives the Company the necessary scope of action to quickly and flexibly respond to such acquisition opportunities and enables it to acquire even larger units in return for transferring shares. Also in the case of other assets (in particular property portfolios or interests in property companies) it should be possible to acquire them in exchange for shares, under certain circumstances. In both cases, it must be possible to exclude shareholder subscription rights. As such acquisitions often have to be implemented at short notice, it is important that they normally are independent of the usual annual rhythm of the Annual General Meeting or do not require an Extraordinary General Meeting, whose preparation and notice period prevent swift action. This means that authorized capital is needed which the Management Board can access quickly with the approval of the Supervisory Board.

The same applies to satisfying conversion or option rights or obligations under bonds. This involves issuing new shares against contributions in kind, either in the form of the bond to be contributed or in the form of the payment in kind under the bond. This leads to an increase in the Company's flexibility while satisfying the conversion or option rights or obligations. Offering bonds in lieu of or in addition to granting shares or cash payments can represent an attractive alternative that increases the Company's competitive chances in acquisitions due to its additional flexibility. Shareholders are additionally protected by the subscription rights to which they are entitled in principle when bonds are issued with conversion or option rights or with conversion or option obligations. Where subscription rights were excluded on the issue of such bonds, the interests of shareholders were already taken into account in the assessment to be made in such case by the Management Board and Supervisory Board. The instances in which subscription rights for bonds with conversion rights and obligations may be excluded have been or are outlined in the report relating to the issue of such instruments.

Should any opportunity arise to merge with other companies or to acquire companies, parts of companies, interests in companies or other assets, the Management Board will in each case carefully consider whether or not to utilize the authorization to increase capital by granting new shares. This also includes, in particular, assessing the valuation ratio between the Company and the acquired company interest or other assets and determining the new shares' issue price and the other share issue conditions. The Management Board will only utilize the Authorized Capital 2022 if it is satisfied that such merger or such acquisition of a company or part of a company or interest in a company in exchange for granting new shares is in the best interests of the Company and its shareholders. The Supervisory Board will only grant its necessary approval if it has reached the same conclusion.

(v) Subscription rights may also be excluded when distributing a share dividend (also known as scrip dividend) where shares of the Company are used (including partially and/or optionally) to satisfy shareholder dividend rights.

This is to enable the Company to distribute a scrip dividend at the most favorable conditions. In the case of a scrip dividend, shareholders are offered to contribute, in whole or in part as a contribution in kind into the Company, their right to receive payment of a dividend created by the Annual General Meeting's resolution on the appropriation of profits, receiving new shares in the Company in return. A scrip dividend can be distributed as a genuine share issue with subscription rights in accordance with, in particular, the provisions of section 186(1) AktG (minimum subscription period of two weeks) and section 186(2) AktG (announcement of the issue amount no later than three days before the expiry of the subscription period). In individual cases, depending on the capital markets situation, it may be preferable to design the distribution of a scrip dividend such that the Management Board offers to all shareholders entitled to dividends, in accordance with the general principle of equal treatment (section 53a AktG), to receive new shares against contribution of their dividend entitlements and thus grants shareholders a subscription right in economic terms, but to legally exclude shareholder subscription rights to such new shares in their entirety. Excluding subscription rights may also be required where not all shareholders are entitled to dividends for a specific financial year.

Such exclusion of subscription rights allows distributing the scrip dividend without the aforementioned restrictions under section 186(1) and (2) AktG and hence at more flexible conditions. In view of the fact that new shares are offered to all shareholders and fractional dividend amounts will be settled by cash payment of the dividend, excluding subscription rights appears to be reasonable and justified in such case.

(vi) Subscription rights can further be excluded in relation to the issue of up to 2,500,000 new no-par value registered shares against contribution in cash to the extent that this is necessary to issue shares to employees of the Company or of affiliated companies within the meaning of sections 15 et seqq. AktG, excluding the members of the Company's Management Board and Supervisory Board and the members of the management boards, supervisory boards and other bodies of affiliated companies. To simplify the settlement process, the shares may also be subscribed for this purpose by a financial institution against cash contribution, in order for the Company to reacquire the shares so subscribed to issue them to entitled employees of the Company.

This gives the Company the opportunity to acknowledge the performance of its employees and those of its affiliated companies within the meaning of sections 15 et seqq. AktG by issuing shares to them, thus allowing them to participate in the Company's success. Incentivizing the employees by allowing them to participate in the performance of Vonovia SE shares on the stock market is also in the interests of shareholders. The Company can issue shares to its employees only if shareholder subscription rights are excluded. In addition, the shares to be issued under this authorization only form a relatively small portion of the Company's current share capital (approximately 0.32%). Hence, shareholders will suffer a minor dilution only and will always have the opportunity to maintain their proportion in the Company's share capital by acquiring additional shares on the stock market.

The authorizations to exclude subscription rights in the event of capital increases against contributions in cash and/or in kind as described in the paragraphs above are limited to a total amount not exceeding 10% of the share capital, either at the time this authorization becomes effective or at the time it is exercised.

This limit of 10% of the share capital is to include shares in the Company (i) that are issued during the term of this authorization under other authorizations while excluding subscription rights, and (ii) that are issued or are to be issued in order to service bonds, provided that such bonds were issued without shareholder subscription rights during the term of this authorization. This includes capital increases from other authorized capital and the issue of bonds.

This limitation at the same time limits a potential dilution of voting rights of the shareholders whose subscription rights have been excluded. The limit reduced in accordance with the above inclusion clause will be increased again upon effectiveness of a new authorization to exclude shareholder subscription rights resolved by the Annual General Meeting following the decrease, in the amount specified in the new authorization, but not exceeding a maximum of 10% of the share capital in accordance with the above requirements. This is because in this case, the Annual General Meeting may decide again on the exclusion of shareholder subscription rights, meaning that the reason for inclusion has ceased to apply.

When considering these circumstances, the authorization to exclude subscription rights within the limits outlined above is necessary, suitable, appropriate and required in the interests of the Company. If the Management Board utilizes any of the above authorizations to exclude subscription rights in connection with a capital increase from Authorized Capital 2022 during a financial year, it will report thereon at the next following Annual General Meeting.

Bochum, March 2022

The Members of the Management Board of Vonovia SE

(signed)