

2. Remuneration system for the members of the Management Board of Deutsche Wohnen SE (Agenda Item 7)

Remuneration System for the Management Board of Deutsche Wohnen SE

1. Further Development of the Remuneration System

The Management Board remuneration system that has applied to date at Deutsche Wohnen SE was presented to the Annual General Meeting in June 2022 and approved by a 96.9% majority. In light of the fundamental revision of Deutsche Wohnen SE's management model by the Management Board, and taking current market practice and typical investor expectations into account, the Supervisory Board performed a review of this remuneration system. Based on its analysis, the Supervisory Board passed a resolution on the following adjustments to the Management Board remuneration system.

	Current Design	Adjustment and Background
As part of the fundamental revision of Deutsche Wohnen SE's management model, Group FFO is no longer used as part of the management system. It has been replaced by the DW Adjusted EBT as the central indicator for evaluating the company's sustained operating earnings power.		
Short-term Incentive (STI) Performance Criteria	As the central indicator for evaluating the company's sustained operating earnings power, the DW Group FFO is assigned a weighting of 75% for evaluating target achievement. Another 25% is determined based on Adjusted EBITDA. The target achievement level is multiplied by a personal performance factor.	The performance criterion DW Group FFO is being replaced by the performance criterion DW Adjusted EBT. The second performance criterion Adjusted EBITDA is no longer applied due to its similarity to DW Adjusted EBT, meaning that, going forward, the STI will only be evaluated based on the performance criterion DW Adjusted EBT and the personal performance factor.
Long-term Incentive (LTI) Performance Criteria	DW Group FFO per share is assigned a weighting of one-third for evaluating target achievement.	The performance criterion DW Group FFO per share is being replaced, with the weighting remaining the same, by the performance criterion DW Adjusted EBT per share.
Contractual Terms	Management Board contracts of employment are concluded for the term of each individual's appointment, usually for three years upon initial appointment and for five years for each subsequent appointment.	In the future, the contractual terms will generally be three years both upon initial appointment and for each subsequent appointment. The five-year contractual terms and appointment periods typically used in Germany to date are relatively long in an international comparison.

The enhanced Management Board remuneration system applies, subject to its approval by the 2024 Annual General Meeting, as of January 1, 2024, for all Management Board members in office as well as for all newly appointed and re-appointed members.

For the purposes of the 2022–2025 and 2023–2026 LTI tranches, the performance criterion DW Group FFO per share provided for in these tranches is being replaced by the performance criterion DW Adjusted EBT per share to ensure consistency with the revised management model. This will be achieved by assessing the increase in the DW Group FFO per share during the performance period defined as a target when the 2022–2025 and 2023–2026 LTI tranches were issued based on the performance criterion DW Adjusted EBT per share.

2. Principles of the Remuneration System

As a residential real estate company, Deutsche Wohnen SE plays a central role in society. This explains why our activities are never focused exclusively on financial aspects, but also take social factors into account. We are aware of the special role that we play and the special responsibility we have: As a service provider and the provider of homes for around a quarter of a million people, our focus is on our customers and their needs. This is why we strive to maintain our building stock and make an active contribution to shaping neighborhoods. We offer our customers modern apartments that meet their needs while at the same time developing services for higher quality of living. Our focus on our customers is also the reason why we are addressing a particularly important social issue: the construction of new apartments. We are committed to the principles of the social market economy and profitability and take responsibility for safe, good and affordable housing.

The remuneration paid to the Management Board members helps promote the business strategy and the company's sustainable development by creating incentives to manage the company and its subsidiaries, as a portfolio-holding and growth-oriented residential real estate company, in the interests of generating positive and stable returns for all shareholders in the long term. The remuneration system serves as motivation to pursue a clear and sustainable corporate strategy in line with the Deutsche Wohnen SE management model, which has been revised to reflect changes in the market environment, the aim being to promote the active management of investments and financing. The Supervisory Board is aware of the company's responsibility towards its tenants, customers and employees as well as being aware of the significance of the company's commitment to the greater good. As a result, non-financial ESG (environmental, social and governance) factors are also taken into account in Management Board remuneration as a general rule.

The Management Board receives performance-related remuneration; realistic and ambitious targets are set for variable remuneration components (pay for performance). The criteria used to assess whether the Management Board remuneration is appropriate include the duties of the individual Management Board member, his or her personal performance, the economic situation, the company's success and future outlook and the extent to which such remuneration is standard practice, taking into account the company's peer group and the remuneration structure within the company. The remuneration system is oriented toward the sustainable growth of the company overall.

The remuneration system forms the basis for determining the remuneration of Deutsche Wohnen SE Management Board members.

3. Procedures for Establishing, Implementing and Reviewing the Remuneration System, Initial Application, Conflicts of Interest

In accordance with the requirements of Sections 87 (1) and 87a (1) AktG, the Supervisory Board adopts a remuneration system for Deutsche Wohnen SE Management Board members. The Supervisory Board is supported by the Executive and Nomination Committee ("Executive Committee"), which develops recommendations relating to the Management Board remuneration system. The Supervisory Board discusses and then rules on these recommendations. If need be, the Supervisory Board can seek the advice of external consultants, making sure that they are independent of both the Management Board and the company. The general provisions set out in the German Stock Corporation Act and the GCGC regarding dealing with conflicts of interest are also taken into account when establishing, implementing and reviewing the Management Board remuneration system. If conflicts of interest arise, the Supervisory Board members do not participate in the adoption of resolutions on the agenda items concerned within the Supervisory Board and the relevant committees.

The remuneration conditions for employees are taken into account when setting the amount of remuneration to be paid to Management Board members by way of a vertical comparison (see 4.2). In addition, when defining the performance criteria for the variable remuneration to be paid to the Management Board, care is taken to ensure that these largely match the performance incentives for senior management where the latter is granted variable remuneration.

The Supervisory Board submits the remuneration system to the Annual General Meeting for approval. The target total remuneration for members of the Management Board is defined by the Supervisory Board in line with the remuneration system presented to the Annual General Meeting for approval.

The regular review of the Management Board remuneration system by the Supervisory Board is prepared by the Executive Committee. The latter recommends to the Supervisory Board any changes to the system if necessary. If significant changes are made to the remuneration system, they are submitted to the Annual General Meeting for approval once again. The same occurs at least every four years, even without significant changes.

If the Annual General Meeting does not approve the remuneration system that is put to the vote, a revised remuneration system is presented for approval at the next ordinary Annual General Meeting at the latest.

4. Definition of Specific Target Total Remuneration by the Supervisory Board, Appropriateness of Management Board Remuneration

In accordance with the requirements of the German Stock Corporation Act and the GCGC, when determining the target total remuneration of Management Board members, the Supervisory Board ensures that it is commensurate with the tasks and performance of the relevant member and the company's financial situation, is aligned with the long-term, sustainable development of Deutsche Wohnen SE and does not exceed the usual remuneration without special justification. For this purpose, both external and internal comparisons are made.

When assessing the appropriateness of remuneration, Deutsche Wohnen SE looks at its peer group (horizontal, external comparison) and the remuneration structure that applies in the rest of the company (vertical, internal comparison).

4.1. Horizontal Comparison

In the horizontal – external – comparison, a suitable group of companies is used to assess whether the amount and structure of the target total remuneration is appropriate and customary in view of the market position of Deutsche Wohnen SE (in particular in terms of industry, size and country). These are generally the other companies from the stock exchange segment (index) in which Deutsche Wohnen SE is listed and/or a peer group comprising national and international companies of a similar size within the real estate industry.

4.2. Vertical Comparison

In addition to the horizontal – external – comparison, a vertical – internal – comparison of Management Board remuneration is also drawn up. This involves looking at the ratio of the remuneration of the Management Board to that of senior management (below Board level) and other senior executives and taking into account the total workforce of other DW employees in the real estate industry. In addition to the current remuneration ratios of various levels of management, the Supervisory Board also takes into account how their remuneration has evolved over time. This comparison is also performed as part of the regular review of the appropriateness of Management Board remuneration and, as a result, also when the corresponding salary adjustments are made.

4.3. Differentiation Based on the Relevant Requirement Profile

The remuneration system allows the Supervisory Board to take into account the function and area of responsibility of the individual Management Board member when determining the target total remuneration. At the discretion of the Supervisory Board, function-specific distinctions are therefore permissible, taking into account criteria such as customary market practice, experience of the relevant Management Board member, length of service on the Board and the department for which he or she is responsible.

4.4. The Remuneration System at a Glance

		Basis of assessment/parameter
Fixed remuneration	Basic salary (fixed remuneration)	<ul style="list-style-type: none"> Contractually agreed fixed remuneration paid in twelve monthly instalments
	Possible benefits in kind and other fringe 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, but no more than the maximum employer's contribution to statutory health and long-term care insurance D&O insurance
Variable remuneration	Short-term incentive (STI)	<p>Type: <ul style="list-style-type: none">Target STI</p> <p>Limit I cap: <ul style="list-style-type: none">125% of target STI</p> <p>Performance criteria: <ul style="list-style-type: none">DW Adj. EBTPersonal performance factor (0.8 – 1.2)</p> <p>Payout: <ul style="list-style-type: none">Due one month after the adoption of the company's annual financial statementsPaid in cash</p>
	Long-term incentive (LTI)	<p>Type: <ul style="list-style-type: none">Target LTI</p> <p>Limit I cap <ul style="list-style-type: none">250% of the target value</p> <p>Performance criteria: <ul style="list-style-type: none">DW NAV per share (1/3)DW Adj. EBT per share (1/3)ESG targets (1/3)</p> <p>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 periodPaid in cash</p>
Additional remuneration arrangements	Maximum total remuneration	<ul style="list-style-type: none"> The maximum total remuneration amounts to € 5.5 million gross per annum for the Chair of the Management Board and € 3.5 million gross per annum 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 remuneration May apply in the event of significant breaches of duty (for the year in which the breach occurs) and payments based on incorrect data

Basis of assessment/parameter	
Benefits on early termination of contract	<ul style="list-style-type: none"> ▪ Clawback period of one year after payout ▪ If agreed in the Management Board employment contract, compensation amounting to two annual total remuneration payments if the contract is terminated early because the appointment is revoked, but limited to a maximum of the remuneration for the remaining term of the contract; no severance pay in the event of termination of the contract by the company for cause ▪ In the event of death, continued payment of the fixed remuneration to surviving dependents for the month of death and the six following months, as well as the STI and LTI pro rata temporis until the end of the month of death

4.5. Components of the Remuneration System, Proportion of Target Total Remuneration

4.5.1. Components of the Remuneration System

The remuneration system is made up of fixed and variable components, the sum of which constitutes the total remuneration of each Management Board member.

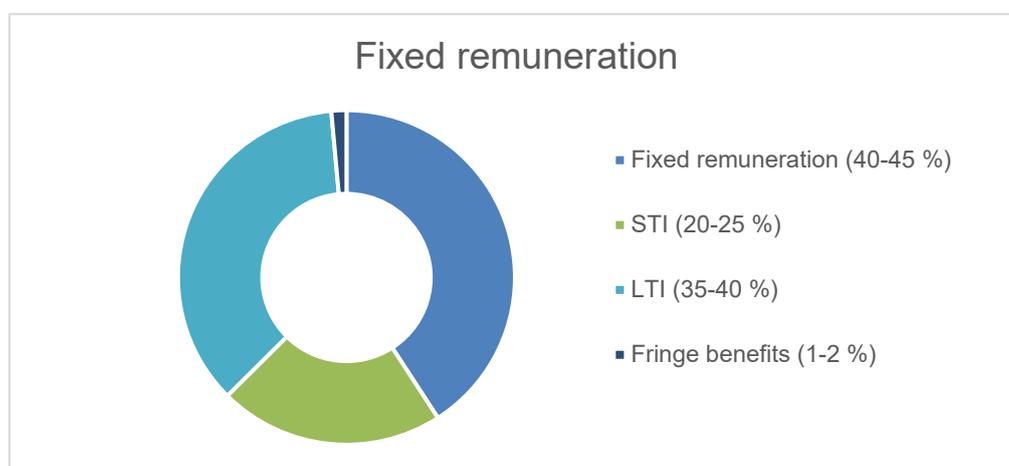
Fixed remuneration components are paid irrespective of the company's performance and consist of fixed remuneration, benefits in kind and other fringe benefits. Deutsche Wohnen SE does not grant pension benefits.

The variable remuneration components are linked to the achievement of predefined performance targets and consist of a short-term variable component in the form of a short-term incentive (STI) and a long-term variable component, the so-called long-term incentive (LTI).

If the Management Board member achieves a 100% target achievement level for both the STI and the LTI, the total amount of these variable payments and the fixed remuneration as well as the fringe benefits make up the target total remuneration to be paid to the Management Board member in question.

4.5.2. Relative Ratio of Remuneration Components to Target Total Remuneration

The individual remuneration components are assigned different weightings in the target total remuneration. In the event of 100% target achievement, the STI comprises between 45% and 55% of the fixed remuneration, while the LTI makes up between 95% and 115% of the fixed remuneration. As an additional non-performance-related component of the remuneration system, fringe benefits making up 1% to 3% of fixed remuneration on average are granted.



The relative shares referred to above can shift slightly by a few percentage points due to fluctuations in the valuation/use of fringe benefits (which have been included as a lump sum, based on experience, for the purposes of the percentages of the target total remuneration stated here).

The target remuneration structure described above ensures alignment with Deutsche Wohnen SE's long-term sustainable development. The high weighting assigned to the LTI ensures that the variable remuneration based on the achievement of long-term targets exceeds the proportion of short-term targets. At the same time, the STI provides incentives to achieve the annual operational targets.

4.6. Maximum Remuneration

All variable remuneration components are capped at a maximum amount. The STI payment is capped at 125% of target STI. The LTI payment cannot exceed 250% of the target value.

In addition, in accordance with the first point of the second sentence of Section 87a (1) AktG, the Supervisory Board has set an upper limit for the total amount of all remuneration elements for Management Board activities for one year, i.e., currently consisting of the fixed remuneration, fringe benefits, short-term variable and long-term variable remuneration components (maximum remuneration). The maximum remuneration further limits the maximum achievable total remuneration (sum of the individual components with maximum target achievement). It amounts to € 5.5 million gross per annum for the Chair of the Management Board and € 3.5 million gross per annum for each of the other Management Board members.

This cap relates to the total benefits granted to a Management Board member for Board-related activities for the relevant fiscal year. Payments of the long-term variable remuneration component under the applicable LTI are attributed to the year the underlying LTI tranche is awarded. Fringe benefits are stated at the value of the non-cash benefit for tax purposes. If the total benefits for a fiscal year exceed the defined maximum remuneration, the payment to be made last in each case, i.e., generally the payment determined from the LTI awarded for the fiscal year, is reduced by the excess amount.

Any severance payments to be made upon early termination of the Management Board activity and other ad hoc special payments not granted as consideration for a Management Board member's work (e.g., relocation expenses, compensation payments for bonuses lost at the member's previous employer) are not included in, or limited by, the maximum remuneration.

5. Components of the Remuneration System in Detail

5.1. Fixed remuneration

5.1.1. Fixed remuneration

Each Management Board member receives an annual base salary ("fixed remuneration") from the company for his or her work on the Board, which is paid in twelve equal monthly installments. The fixed remuneration also covers work at the level of subsidiaries. The amount of the fixed remuneration granted by Deutsche Wohnen SE reflects the individual's role within the Management Board (also taking into account the time that has to be spent on the Management Board work if the member receives separate remuneration for his or her activities within the Group), the member's experience, area of responsibility and market conditions.

5.1.2. Fringe Benefits

Each Management Board member can also receive non-cash and fringe benefits. These include the private use of a company car or – at the discretion of the Management Board member – a company car allowance as well as the provision of necessary equipment (e.g., communication means) for the performance of duties. Any private use of a company car is taxed as a non-cash benefit, and the Management Board member bears the tax. The costs associated with running a company car are borne by Deutsche Wohnen SE.

Deutsche Wohnen SE can also pay 50% of the Management Board member's contributions to private health and long-term care insurance, but no more than the maximum employer's contribution to statutory health and long-term care insurance.

All Management Board members are generally entitled to the same fringe benefits, although these benefits can vary on a case-by-case basis, particularly in terms of their amount, depending on the member's personal situation and the extent to which they are used. The Supervisory Board can grant other or additional fringe benefits that are standard market practice.

In addition, Management Board members are covered by a standard D&O insurance policy. In accordance with the third sentence of Section 93 (2) AktG, the Management Board members' deductible under the D&O liability insurance is 10% of the damage or one and a half times the fixed annual remuneration. Business-related and travel expenses are reimbursed based on the valid reimbursement policies.

5.2. Variable Remuneration

The variable remuneration components for Management Board activity are aligned with both the achievement of annual operational targets and the long-term, sustainable development of Deutsche Wohnen SE. The short-term variable remuneration component (STI) and the long-term variable remuneration component (LTI) incentivize Management Board members' performance from different perspectives and over different periods (performance periods). In particular, they differ in the financial and non-financial performance criteria used to measure the payout. When selecting the performance criteria, the focus is on implementing the strategy, i.e., the performance criteria support the growth strategy of Deutsche Wohnen SE in particular while at the same time incentivizing an increase in profitability and competitiveness. By considering various transparent performance criteria, it is therefore possible to depict the success of Deutsche Wohnen SE in an integrated and multifaceted manner.

5.2.1. STI

a. STI – Basic Principles and Performance Criteria

The Management Board members are entitled to short-term variable remuneration in the form of an STI for each of the company's fiscal years. The amount of the STI depends on the extent to which a corporate target defined by mutual agreement between the Supervisory Board and the Management Board member is achieved. In addition, the Supervisory Board may define performance targets with individual or all Management Board members, which are included in the target achievement level in the form of a personal performance factor (PLF) as a multiplier with a value of 0.8 to 1.2. Individual performance targets can also be set for a group of several Management Board members.

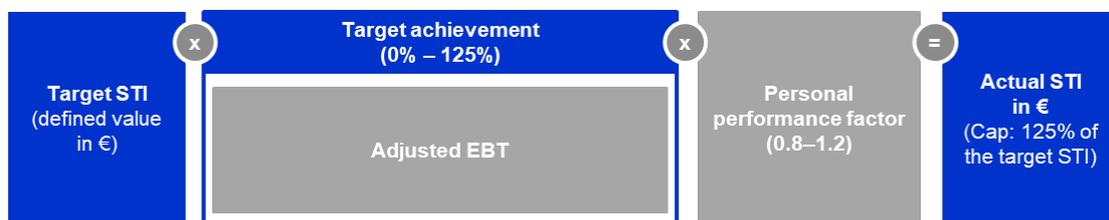
The target achievement level for the payout of the STI is determined on the basis of the following performance criteria:

- DW Adjusted Earnings before Taxes (DW Adjusted EBT)
- Any individual performance targets

The financial performance criterion (DW Adjusted EBT) is a key operational corporate target that reflects the company's financial success and is a straightforward management indicator that is commonly used on the capital market, particularly for generalists, in addition to being easy to compare and communicate. It also meets investor demands for an earnings indicator that can be used for company valuation purposes. The DW Adjusted EBT considers the earnings contributions of the four segments (Rental, Value-add, Recurring Sales and Development to sell)

and is one of the most important key figures at Group level. It is calculated based on the DW Adjusted EBITDA. This consists of EBITDA after adjustments to reflect effects that do not relate to the period, recur irregularly or are atypical for business operation. A distinction is made here between the Adjusted EBITDA of the four segments and the Adjusted EBITDA Total, which results from the total of the Adjusted EBITDA for the four segments. Either the Adjusted EBITDA Total or the Adjusted EBITDA for the segments managed in each case by the Management Board members is used to calculate the overall target achievement level of the STI. By reducing the Adjusted EBITDA Total by the adjusted net financial result, depreciation and amortization, and consolidation effects, we arrive at the DW Adjusted EBT, which describes the sustained operating earnings power of Deutsche Wohnen SE.

Individual performance targets and/or expectations of the Management Board members are derived, in particular, from his or her responsibilities for particular executive divisions, support the corporate strategy and are also designed to take account of the interests of relevant stakeholders. Together with the performance targets, performance criteria are set that are then used by the Supervisory Board, after the end of the fiscal year, to define a personal performance factor of between 0.8 and 1.2 for each Management Board member.



When defining all targets, possible extraordinary developments within the meaning of Section 87 (1) sentence 3 AktG are given appropriate consideration. In the event of extraordinary circumstances (e.g., a severe economic or financial crisis, war, terrorist attacks or expropriation), the Supervisory Board can opt to adjust the calculated STI entitlement at its own due discretion (but adhering to the limits imposed by the STI cap). If the employment contract does not cover the entire fiscal year, the STI is generally paid and pro-rated for the term of the employment contract in the relevant fiscal year. Provided and insofar as an STI entitlement arises, it is due one month after the adoption of the company's annual financial statements.

STI – Mechanism and Weighting

The STI granted by Deutsche Wohnen SE is structured in the form of a target bonus system. The target STI is set out in the employment contract for each Management Board member. Depending on the achievement of the financial performance criterion described in Section 5.2.1.a. and any defined individual performance targets, an individual actual STI is calculated at the end of the fiscal year (maximum of 125% of the target STI).

The financial performance criterion DW Adjusted EBT is underpinned by an ambitious target achievement curve. The Supervisory Board determines a budget value as well as a minimum and maximum value annually on the basis of the business plan. If the performance criterion is entirely consistent with the predetermined budget value, this is equivalent to a target achievement level of 100%. If the value actually reached is equal to or below the minimum value, the target achievement level is 0%. If the value actually reached is equal to or above the maximum value, the target achievement level is 125%. The target achievement level is always interpolated on a straight-line basis between the above-mentioned values.

The individual performance of a Management Board member is assessed on the basis of the individual performance criteria. If the Supervisory Board has not defined any individual performance targets for the fiscal year for a particular Management Board member, the personal performance factor is 1.0.

The target achievement curve reflects the rigorous pay-for-performance concept inherent to the Management Board remuneration system of Deutsche Wohnen SE. The budget value and the minimum and maximum value for the fiscal year in question are published ex post in the Remuneration Report, as are the actual target value achieved and the resulting target achievement level. A similar approach is used for the personal performance factor.

5.2.2. Long-Term Incentive (LTI)

a. LTI – Basic Principles and Performance Criteria

In addition to the STI, the members of the Management Board of Deutsche Wohnen SE are granted an annual LTI with a long-term incentive effect and a balanced risk-return profile. The LTI is measured over a four-year performance period and its amount depends on the achievement of specific financial targets and, in general, also on the achievement of specific sustainability targets.

The target achievement level is determined based on the following financial performance criteria, each of which is assigned a weighting of one-third:

- DW NAV (net asset value) per share
- DW Adjusted EBT per share

The two financial performance criteria, DW NAV per share and DW Adjusted EBT per share, create incentives for a long-term increase in the value of the company. This aligns the interests of the Management Board with those of shareholders.

In addition, one-third of target achievement is also determined on the basis of sustainability criteria (ESG targets). The inclusion of ESG targets gives particular consideration to stakeholder concerns.

This means that, all in all, the LTI provides incentives for achieving the long-term and also sustainable growth of Deutsche Wohnen SE.

The first financial performance criterion, DW NAV per share, is one of the main management indicators for Deutsche Wohnen SE. It reflects the value of the property assets and the modernization and new construction measures and is therefore a decisive factor in the company's performance. The DW NAV is divided by the number of DW shares as of the reporting date (reporting date value NAV to reporting date value shares – non-diluted).

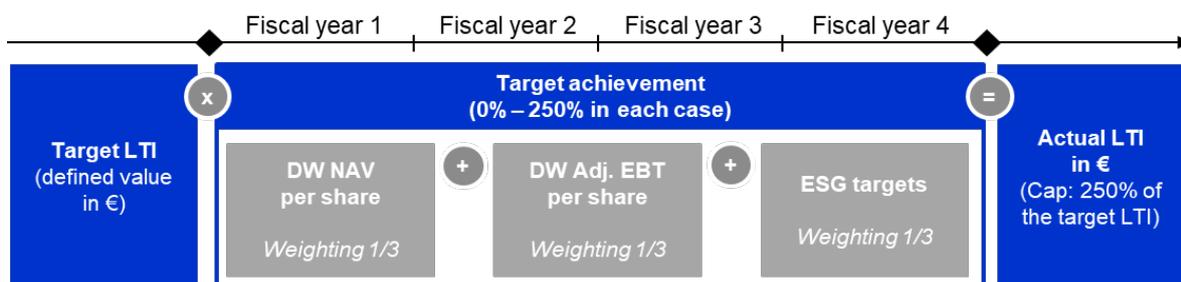
The DW Adjusted EBT is also highly relevant to Deutsche Wohnen SE's management system (see 5.2.1.a.). Apart from the importance of strong annual operational earnings power, creating incentives for a sustained and long-term increase in income is impactful. Therefore, the performance criterion DW Adjusted EBT per share is included in the LTI. The focus in the four-year performance considerations is on the long-term development of the DW Adjusted EBT.

In addition to the two financial targets, the payout from the LTI is also calculated on the basis of non-financial performance criteria in the form of ESG targets. This ensures that other significant non-financial targets – which are a key component of the corporate philosophy described earlier – are given appropriate consideration. ESG targets generally refer to environmental, social and governance matters and are of fundamental importance for Deutsche Wohnen SE's long-term, sustainable growth.

The ESG targets are set by the Supervisory Board at the start of each performance period and can vary from performance period to performance period in order to allow more targeted incentives to be set. Particular attention is paid to strategy relevance, transparency and measurability of the targets. As a result, the targets are also published ex post in the Remuneration Report. Possible targets include: reducing the CO2 intensity of the portfolio, energy-efficient new construction, number of accessible (partially) modernized apartments, increased customer satisfaction. The consideration of ESG targets takes account of input factors for sustainable corporate development.

b. LTI – Mechanism and Weighting

The LTI amount paid out at the end of the four-year performance period depends on the achievement of the performance criteria described in 5.2.2.a. The relevant performance criteria are added up and each have an equal weighting.



All performance criteria are equally underpinned by ambitious target achievement curves, whose possible target achievement levels cover a range of between 0% to 250%. The Supervisory Board defines a target value for each performance criterion at the start of each performance period, where the target achievement level comes to 100%. In addition, a minimum and maximum value are defined. If the value actually achieved is equal to the minimum value, the target achievement level comes to 50% and if it is below it, the target achievement level comes to 0%. Where the value is equal to the maximum value, the target achievement level is limited to 250%. The target achievement level is interpolated on a straight-line basis between the above-mentioned values.

At the end of the relevant performance period, an overall target achievement level is defined based on the individual target achievement levels and their respective weightings.

The LTI payout amount cannot exceed 250% of the target value for the LTI tranche concerned ("cap").

In accordance with recommendation G. 11 sentence 1 GCGC 2022, the Supervisory Board has the possibility to consider extraordinary developments to an appropriate extent in order to maintain or restore the original value ratios.

The payout for each performance period is made as part of the next possible payroll run following adoption of the company's annual financial statements after the end of the performance period concerned, but by no later than December 31 of the fiscal year following the end of the performance period.

5.3. Malus/clawback

The contracts of employment of Management Board members of Deutsche Wohnen SE include malus and clawback provisions that provide for a reduction (malus) or reclaim (clawback) of variable remuneration components at the reasonable discretion of the Supervisory Board. This option exists if a Management Board member demonstrably breaches his or her duties to an extent that is conducive to a legally binding termination for cause or demonstrably breaches his or her material due diligence requirements under Section 93 of the German Stock Corporation Act (AktG) either intentionally or through gross negligence.

If variable remuneration components are determined or paid out based on erroneous data, e.g., erroneous consolidated financial statements, the Supervisory Board may correct the determined variable remuneration components and/or claw back remuneration components already paid out.

A clawback or reduction is possible in the abovementioned cases before the end of a year after payout of the variable remuneration component. The reduction or clawback is generally implemented for the year in which the breach of duty was committed.

Any and all liability for damages on the part of the Management Board member vis-a-vis the company remains unaffected by the malus and clawback provisions.

6. Termination of Management Board Activities

6.1. Contractual Terms, Termination Options

Management Board contracts of employment are concluded for the term of each individual's appointment, generally for three years both upon initial appointment and for each subsequent appointment. In accordance with the German Stock Corporation Act, the contracts do not provide any option for termination for convenience; the right of both parties to terminate the contract of employment for cause remains unaffected. The contract of employment of a Management Board member ends automatically when the member turns 67 at the latest, or when the Management Board member loses his or her earnings capacity or falls ill and is unable to work indefinitely as a result. It also ends as a matter of principle when the appointment is revoked by the Supervisory Board, effective as of the end of the statutory termination period pursuant to Section 622 (2) of the German Civil Code (BGB) ("connection clause").

6.2. Early Termination

6.2.1. Severance Pay

If Management Board contracts contain provisions on severance pay, these are restricted to an entitlement to severance pay in the event of revocation of the appointment and a resultant early termination of the Management Board member's contract of employment. In line with the recommendations set out in the German Corporate Governance Code (GCGC), this is then limited in terms of amount to two annual total compensation payments (i.e., fixed remuneration, fringe benefits, pension contribution/payment, STI and LTI) (severance pay cap), less the payments for a termination period and never exceeds the remuneration for the remaining term of the contract of employment. The severance pay provided for in the contract of employment and the severance pay cap provided for in the contract of employment are calculated on the basis of the total remuneration for the last fiscal year that precedes the early termination of the Management Board activities, and also on the basis of the expected total remuneration for the current fiscal year, if applicable. In case of termination of the Management Board member's contract of employment by the company for cause, no severance pay is paid.

6.2.2. LTI in the Event of Early Termination

If the contract of employment of a Management Board member ends due to the passage of time, death or revocation of the appointment, the LTI granted for the year in which the contract ends will be reduced on a pro rata temporis basis by 1/12 for each month that the employment ends before the end of the relevant calendar year. The other LTI tranches are not reduced. If a Management Board member's contract of employment is terminated for cause by Deutsche Wohnen SE pursuant to Section 626 (1) of the German Civil Code before the end of the performance period or if the Management Board member resigns without the company having determined good cause for this, all rights and vested rights with respect to the LTI are forfeited with immediate effect and without compensation. This does not include claims that the Management Board member has to payouts under LTI tranches whose performance period has already ended on the date when the Management Board member's contract of employment ends.

6.2.3. Provision Covering Incapacity for Work/Surviving Dependents

In the event of a temporary or permanent incapacity for work on the part of the Management Board member due to illness, the company will continue to pay the fixed remuneration for up to six months after the start of the incapacity for work; but in any case at the longest until the end of the employment relationship. The STI can be reduced and pro-rated by the Supervisory Board if the Management Board member is unable to work for more than six months in one entire fiscal year, though these months do not necessarily need to be consecutive.

If the Management Board member dies, the surviving dependents can be granted a continuation of the fixed remuneration for the month in which death occurs and for the six calendar months following the month in which death occurs. The STI is to be paid and pro-rated until the end of the month in which death occurs, with the anticipated achievement of the company-related targets to be determined by the Supervisory Board at its reasonable discretion taking into account the past and expected business development in the relevant calendar year.

6.3. Post-contractual Non-compete Clause

The Supervisory Board may stipulate a post-contractual non-compete clause for a period of up to 24 months. For this period, adequate compensation to be determined on a case-by-case basis (compensation for non-competition) in accordance with the legal provisions set forth in Sections 74 et seq. of the German Commercial Code (HGB) is granted to employees. The compensation is paid out in installments at the end of the month. The Management Board member will assume statutory charges arising on this amount. If a post-contractual non-compete clause is concluded, it is agreed that any severance payments granted due to early termination of the Management Board activities will be offset against the compensation payments.

7. Sideline Activities of Management Board Members

The fixed remuneration fundamentally covers all activities carried out by Management Board members on behalf of the company and its affiliated companies. This includes, more particularly, Group-internal Supervisory Board mandates. Where remuneration entitlements arise for activities outside of the DW Group, the Supervisory Board decides on a case-by-case basis whether and to what extent these entitlements are to be offset [against the fixed remuneration](#).

8. Temporary Deviations

In exceptional circumstances, the Supervisory Board may temporarily deviate from the remuneration system if this is necessary for the long-term good of the company. Generally unfavorably 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 remuneration system to reflect a significant change in the corporate strategy in order to ensure suitable incentivization. Even in the event of a deviation from the existing remuneration system, remuneration 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 remuneration 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 remuneration, potential target achievement ranges for the individual elements of variable remuneration, the relative shares of the fixed and variable remuneration components, and occasional expenses for extraordinary fringe benefits. If the adjustment of the existing remuneration components is not sufficient to restore the incentive effect of the Management Board remuneration, the Supervisory Board has the option of responding to exceptional circumstances by temporarily granting additional remuneration components under the same conditions.
