

### **Additional information regarding the compensation system of the Management Board**

After a constructive dialogue with shareholders with regard to our long term incentive scheme, we restructured and improved our compensation policy to better comply with international best practice. Deutsche Wohnen's new policy is fully compliant with the German Corporate Governance Code.

**Base Salary:** After the successful acquisition of GSW during 2013 the market capitalisation almost doubled from end of year 2012 to 2013 (after already doubling over the calendar year 2012). To ensure our remuneration policy is in line with shareholder expectations as well as taking account of the increased work load of the management board our fully independent supervisory board initiated a peer review with local competitors Deutsche Annington and Gagfah as well as international peers Unibail-Rodamco, Great Portland, Segro, Capital & County and Derwent London. The comparison showed that fixed salary levels at Deutsche Wohnen were significantly below the average at German as well as international competitors. Therefore, base salaries were adjusted according to German market standard (which is still below average at international peer companies).

**Long-Term Incentive Plan:** Following suggestions by shareholders we have replaced our "Performance Share Unit Plan" by a share options program ("AOP 2014") to better align our remuneration policy with long term shareholder value, including the following highlights:

- » Performance is measured over a 4 year period.
- » Dilution from the AOP 2014 is capped at 5 % of the outstanding share capital (including grants to the Management Board and further Executives).
- » Key performance criteria NAV and FFO are no longer on an absolute, but on a per share basis.
- » Criteria, weights, performance thresholds and caps are disclosed in the invitation to our AGM.
- » No discount is granted on the share price at grant date.

### **Short-Term Incentive:**

- » Following suggestions by shareholders we have limited annual bonus payments to below 50 % of overall variable compensation to re-focus our remuneration policy on the long term.
- » Performance criteria include group performance (EBITDA, FFO) as well as individual targets (split approx. 50/50).



- » There are no guaranteed bonus payments: at less than 75 % of target performance across all targets no bonus payments are granted.
- » Bonus payments are capped at 125 % of target payment.
- » Deutsche Wohnen cannot disclose individual performance target levels at this point because this is sensitive information with regard to our competitors. However, performance criteria are regularly assessed for their appropriateness by our fully independent compensation committee.

The severance payment policy is in line with the German Corporate Governance Code.

Finally, a special bonus was paid to Michal Zahn and Lars Wittan in the context of the successful acquisition of GSW in 2013. Please note that this bonus was granted based on pre-defined success conditions by the Supervisory Board and will only be fully paid out when challenging synergy levels have been realised. In addition, this bonus requires an investment in our own shares before final payout.