

Deutsche Wohnen SE (Virtual) Annual General Meeting Berlin, Friday, 5 June 2020

The spoken word applies

Speech by Michael Zahn, CEO

Dear shareholders
Dear shareholders' representatives
Ladies and gentlemen

In exceptional times companies have to adopt exceptional measures – and this is one such measure. Welcome to the first VIRTUAL Annual General Meeting of Deutsche Wohnen.

I would have been delighted to welcome you in person in Frankfurt am Main – but when it is a matter of health and safety, there are no compromises.

We were absolutely determined to hold this shareholders' meeting at the scheduled time. As a reliable partner, it goes without saying that we keep our appointments. Indeed, we never considered a postponement because, of course, you should be able to exercise your right to ask questions and to vote. Moreover, we would like to pay out the dividend on time.

So, I ask for your understanding that I am speaking to you here on a screen instead of standing in front of you in person at a lectern. However, I can promise you that the mode of delivery of my speech will not be at the expense of its content. After all, despite these difficult times, we have positive news for you.

And good news is at a premium right now. The corona situation is placing demands on all of us at the moment. It brings fresh challenges for each of us on a daily basis.

As a landlord, as an operator of nursing homes, as an employer – and as a publicly listed company – we bear particular responsibility for our fellow human beings in these particular times.

We know that, especially at this time, people are looking, above all, for stability and reliability. And if this crisis has shown one thing, then it is that the Deutsche Wohnen Group has the strength to be a firm anchor in these difficult times.

Our business model is solid. It is stable, reliable and robust.

Neither on the residential nor on the commercial side have we experienced significant rental loss up to now. This delights me personally because behind every minus number there are very human circumstances.

And this too is a positive experience in this historic crisis. It is the human factor that corona has pushed to the forefront again, strengthening our sense of solidarity.

We are coping with this crisis well, but can see how it is threatening the livelihoods of others, confronting them with insurmountable challenges. This is why we promptly built on the support offered by the state to our tenants, business partners and service providers, creating our corona support fund to offer the prospect of rapid and unbureaucratic help. The fund is intended to make EUR 30 million of support available.

To date, we have received roughly 1,400 enquiries from concerned tenants. It is too early to present final numbers. We cannot estimate yet how the economic situation of our tenants will develop in the foreseeable future. However, it is already becoming clear that we will cope economically with this problem and that the fund has sufficient financial resources.

We are equally optimistic when it comes to thinking ahead. We have put together a far-sighted strategic plan for the next few years – and this plan definitely anticipates growth. Even in these corona times, we will adhere to our customary high volume of investment in the maintenance and refurbishment of our properties.

In the face of all the sad news about corona outbreaks in nursing homes, I am pleased to announce positive news from our side.

Happily, the situation in our care homes is very stable. Neither amongst the residents nor amongst the nursing staff do we have unmanageable infection rates. So, in this respect too, we have navigated our way through this crisis very successfully.

I see it as our duty, as a strong company, to take care of the weaker members of society. This means that we will spare no effort and no cost to protect our residents and our employees in this very important area in future as well.

What would a company be without its motivated staff who do outstanding work day after day?

The fact that we as a company are so capable of acting in these exceptional times is due above all to the exemplary commitment of our employees. I wish to stress this point here and to expressly thank our employees for this.

Let me put this into numbers for you: at the height of the crisis, more than two thirds of our employees started working from home and kept things running from there. And, during this time, we have taken on more than 30 new staff.

Of course, not all our employees can work from home. This includes primarily our caretakers and our nursing staff who work on site to ensure that people feel safe and secure in our properties. Especially in these uncertain times, one's flat becomes the most important place of retreat. These employees too carry out outstanding work on site and deserve our thanks as well.

Success is not always purely down to one's own efforts. Sometimes one just has to be in the right place at the right time - for example, at the top of the list of candidates for the DAX. Yesterday, on the recommendation of the Working Committee of Share Indices, the German stock exchange decided that Deutsche Wohnen SE will move up into the DAX.

I regret the negative developments for Lufthansa, which has created this vacancy for us. We know that this was a matter of *force majeure* and that this is the only reason why a place in the DAX became vacant.

Nevertheless, the fact that we were the leading candidate for this valuable place shows us that we have done good work and that our company has the quality to be in the top division. We have created opportunities – and now taken this step.

We are now moving up into the list of the 30 most significant, publicly listed companies in one of the most important economies in the world.

So, our elevation into the DAX can be seen as confirmation of our overall strategy and of the attractiveness of our share. With its robust and sustainable business model, Deutsche Wohnen SE is a valuable addition to the leading German index. Moreover, it is by no means inevitable that property companies are amongst the winners in times of crisis.

We have not got to this point because we are a property company but because we are a *robust* property company. We have not rested on our laurels and we won't do this in future either.

We see our move up into the DAX as a huge responsibility and, at the same time, as an incentive to pursue our growth strategy in future as well. We will continue to compete successfully against our rivals in the market – even in turbulent times like this pandemic.

But it is not only important that we as a company are commercially successful in dealing with this crisis; it is important now to look ahead and to draw the *right* lessons from this crisis.

But what are the “right lessons”?

Corona has shown us the following:

1. Rational policies that are free of ideology are the right way. May I point out that there is hardly another country with fewer corona fatalities than Germany? The media from other countries are full of praise for the “German way”. We can all be proud of this.
2. Fake news and opportunism are of no help in finding good solutions. Opinion polls at the moment show that voters trust those people who assume clear leadership responsibility and make clear and cogent decisions.
3. We have to apply these insights to the business world and be guided by them.
4. As the CEO of a company with more than 5,000 employees and their families, the crisis has also made something clear to me personally: we must promote and maintain togetherness in our society. So many people have shown solidarity. Millions of people have donated money to restaurants, cultural institutions, and to small businesses like the local beautician or hairdresser. And this is why we as major companies also have to take on responsibility. At the same time, we have to bear in mind that companies can only safely provide social and ecological benefits over the long term if they are successful and productive.
5. As a publicly limited group of companies, we see the big picture. **We take responsibility – for our tenants, our employees and our shareholders.**

Respons-ibility. The word “response” is in there. Indeed, we have to find a response to the challenges of our time – above all to climate change, which has not lost in importance because of the corona pandemic. On the contrary, right now we see sustainable investment in our holdings as an urgent response to this challenge.

Allow me to explore the topic of responsibility further - because it is a very important word in our company strategy.

For example, responsibility for our employees. Some of them are listening to this speech right now. So, I would like once again to express my personal thanks to you for your tireless hard work and commitment during these recent challenging months. You are the face of Deutsche Wohnen and contribute to the long-term success of our company.

In this context, I am particularly pleased about the results of our recent staff survey because we can find the following figures there:

- **77 per cent** of our employees are satisfied with us as an employer
- **95 per cent** of our managers and **70 per cent** of our employees would recommend us as an employer.

We want to build on this and attract further good employees to our company over the coming years. As you can see, our appeal as an employer has a very high priority for us.

In 2019, we continued to invest in staff development and qualifications, we expanded our junior staff development work with our apprentices and trainees, we optimised our senior management development programmes and strengthened our combined vocational training and degree courses.

Our commitment to staff training and development has been recognised repeatedly, for example with the “Excellent training quality” seal of approval from the Chamber of Commerce and Industry and with the award of a maximum five-star rating in the study “Germany’s best trainers”, which was conducted by the business magazine *Capital*. These awards mean that we are amongst the best companies for providing training in Germany.

If you are successful, you have to put something back. In 2019, we increased salaries by an average of six per cent. We also enabled our employees to have a share in the company’s success via our Mid-Term Incentive Programme. Finally, we also awarded our employees a loyalty bonus of EUR 3.6 million for the financial year 2019.

All of this helps us to optimise the service we provide to our customers. We also want to assume responsibility towards them – and to convert this promise into deeds.

A flat is more than just a service. It is a home, where families and singles or people who are flat-sharing live. It is where the elderly and the young live as neighbours. As a landlord, we bear responsibility for all of these people. This is why we created a unique support fund during the corona pandemic – something we have never done before: EUR 30 million to help hardship cases. Help that is fast, unbureaucratic and direct.

To finance this fund, we decided, after approving the annual accounts, to give part of our profit to tenants who have been badly affected by this crisis. As a result the payout ratio is seeing a one-time reduction by 5 percentage points to approximately 60 per cent.

Nevertheless, the dividend is still higher than last year's, which is why I am confident that you – our esteemed shareholders – will support our proposal and, by doing so, demonstrate that solidarity is more than just words at Deutsche Wohnen because everyone contributes.

Moreover, we supported our tenants before corona and these times of crisis. I would ask you to recall our promise to our tenants last year. In more than 700 cases, we have dispensed in whole or in part with rent increases if the tenants were unable to pay this extra because their household net income was not high enough.

And we have let more than one in four of newly lettable flats to people who are entitled to a social housing permit because of their income situation. In these ways, we are making an active contribution to the prevention of gentrification in our cities.

Finally, we have restructured our customer service operations. Our new, digital customer portal bundles all flat-related issues, whilst our on-site caretakers are providing a wider range of services. These improvements mean that we can help our tenants even more quickly and deal with problems successfully.

But if you want to improve, you must be prepared to learn from your mistakes. This is why we conduct our annual customer survey in which tenants can give us feedback.

The result: **87 per cent** of our tenants are satisfied with their flat and with us as a landlord. That's almost 9 out of 10 tenants! Despite this excellent result I want to win over the 10th Deutsche Wohnen tenant. This is why we don't intend to rest on our laurels but will further improve the service we provide in future.

The biggest problem for many people in German cities is to find a flat at all. We want to work at this problem as well and to make our contribution to combatting the dramatic shortage of housing in German conurbations by doing what is most effective, i.e. **by building new homes**.

We have acquired a platform for project development from Isaria Wohnbau AG. During the next 10 years, we will be investing more than EUR 3 billion in new builds. We want to create affordable housing because more and more people are moving into Germany's major cities. This is where there are jobs and a rich cultural life. So, this is where there *has to be* affordable housing so that people can develop and thrive.

Of course, we also want to assume responsibility for you – our shareholders.

Our good performance in the financial year 2019 is also reflected in the key company figures.

- The so-called Total Shareholder Return was 13 per cent in the financial year 2019.
- Our shareholders benefit from the fact that we have invested in the booming regions of Germany and that, as a result, the increase in value of our properties has been higher than average.
- In addition, our shareholders benefit from our stable dividend policy.

With our corporate strategy, we have also set our course for the future:

- We are constantly streamlining our portfolio.
- We focus on the quality of properties and their location.

- We are going with the major trends for the future: urbanisation and demographic change.
- We are expanding our project development business and are focussing on new metropolitan regions like Munich.

When it comes to new builds in the future, the topic of energy efficiency plays a key role. However, millions of residential buildings in Germany are not energy-efficient yet. And there is a shortage of important investment in modernisation and **climate protection**. There is enormous potential here when one considers that approximately 30 per cent of CO₂ emissions in Germany are attributable to buildings.

What would it be like if even more buildings met the latest climate protection standards? Well, let me be clear on this point: there is *no alternative* to energy-efficient refurbishment and energy efficient new builds.

But one thing is clear to us on this point: tenants must not lose their flat because of refurbishment work to improve energy efficiency. We ensure that this never happens by having socially responsible modernisation work and rules for hardship cases.

I firmly believe that we can only find the answers to the challenges of climate change by working together. And we have to make progress in this area during this corona pandemic. It is not acceptable for us to play one crisis off against another. In other words, corona must not be allowed to have a negative impact on climate policy. Even now, we have to think of tomorrow. And this is why we are looking for answers not just from landlords and tenants – but from the state as well.

Together with 68 other major German companies, we have appealed to politicians to combine ambitious climate policies with corona-related stimulus programmes. The stimulus programmes must be intelligent – and *green*. In order to meet these expectations ourselves, we have kept our investment in the maintenance and refurbishment of our holdings at a high level. Indeed we have even increased this investment by more than EUR 50 million compared with 2018.

Before I finish, let us try to look ahead at a **post-crisis Germany**.

- Generally I'm an optimist and see a country that has dealt with this pandemic successfully.
- I see a society whose cohesion is even stronger because of the solidarity we have experienced.
- I see a business landscape that has successfully seen this lockdown as an opportunity to rethink old processes and to make use of these new ideas when starting up again.
- I see citizens who have learnt to value nature and the freedom of the outdoors even more greatly and who are more prepared now to support climate protection.
- And I see politicians who voters have rewarded with their trust for their rational and targeted decisions – and who now have enough support to tackle important decisions regarding climate protection.

We have the chance now to turn this vision into reality. We would like to make our contribution to this process and to bear our share of social responsibility.

We must concentrate our efforts and hold even more discussions about how citizens, companies and political representatives can find solutions together. We will not run shy of this dialogue. We will be a strong partner and a part of the solution to these problems.

In times of crisis and beyond.

Thank you for your attention.