

Corporate Governance Report

In this corporate governance declaration (also known as the Corporate Governance Report), we report, in accordance with Sections 289a and 315 (5) of the German Commercial Code (HGB) and No. 3.10 of the German Corporate Governance Code (GCGC) on the principles of management and corporate governance. The declaration contains the declaration of conformity, information on corporate governance practices, a description of how the Management Board and Supervisory Board work and key corporate governance structures. The declaration is also available to the public on our website at www.vonovia.de. Pursuant to Section 317 (2) (4) HGB, the disclosures pursuant to Sections 289 a, 315 (5) HGB are not included in the audit performed by the auditor of the annual financial statements.

<https://investors.vonovia.de>

Fundamental Information

Fundamental Understanding

Corporate governance is the responsible management and supervision of a company. The Management Board and the Supervisory Board are committed to the principles of corporate governance. The principles are the basis for the sustainable success of the company and therefore serve as guidelines for conduct in the company's daily management and business.

Good corporate governance strengthens the trust of our shareholders, business associates, customers, employees and the general public in Vonovia SE. It increases the company's transparency and strengthens the credibility of our group of undertakings. With balanced corporate governance, the Management Board and the Supervisory Board wish to safeguard Vonovia SE's competitiveness, strengthen the trust of the capital market and the general public in the company and sustainably increase the company's value.

Standards of Corporate Governance

As a major housing company, we are aware of the particular significance of our entrepreneurial actions for society at large. As a result, we are also committed to the general principles of corporate governance, as well as all the main

aims and principles of the Institute for Corporate Governance in the German Real Estate Industry, which we have been a member of since November 14, 2003. The initiative supplements the corporate governance principles to include housing-specific aspects and is committed to even greater transparency, an improved image and a more competitive real estate sector.

Corporate governance, acting in accordance with the principles of responsible management aimed at increasing the value of the business on a sustainable basis, is an essential requirement for the Vonovia Group, embracing all areas of the business.

Our corporate culture is founded on transparent reporting and corporate communications, on corporate governance aimed at the interests of all stakeholders, fair and open dealings between the Management Board, the Supervisory Board and employees as well as on compliance with the law.

The Code of Conduct provides the ethical and legal framework within which we act and want to maintain a successful course for the company. The focus is on dealing fairly with each other but also in particular on dealing fairly with our tenants, suppliers, customers and investors. The Code of Conduct specifies how we assume our ethical and legal responsibility as a company and is the expression of our company values.

Information on the Company's Governing Constitution

The designation Vonovia comprises Vonovia SE and its Group companies. Vonovia is a European company (SE) in accordance with the German Stock Corporation Act (AktG), the SE Act and the SE Regulation. Its registered headquarters is in Bochum. It has three governing bodies: the Annual General Meeting, the Supervisory Board and the Management Board. The duties and authority of those bodies derive from the SE Regulation (SE-VO), the German Stock Corporation Act (AktG) and the Articles of Association. Shareholders, as the owners of the company, exercise their rights at the Annual General Meeting.

According to the two-tier governance system, Vonovia SE has a Management Board and a Supervisory Board. In the two-tier governance system, the management of business and the monitoring of business are strictly separated from each other. The duties and responsibilities of these two bodies are clearly specified by law in the German Stock Corporation Act.

In accordance with the governing laws, in particular the SE Regulation and the German SE Employee Participation Act (SEBG), the Supervisory Board is only made up of representatives of the shareholders. The highest representative body of the employees is the Group works council. An SE works council was also set up at the level of Vonovia SE.

The Management Board and Supervisory Board of a company listed in Germany are obliged by law (Section 161 of the German Stock Corporation Act) to report once a year on whether the officially published and relevant recommendations issued by the government commission German Corporate Governance Code, as valid at the date of the declaration, have been, and are being, complied with. Companies affected are also required to state which of the recommendations of the Code have not been, or will not be, applied and, if not, why.

The Management Board reports in its declaration, also on behalf of the Supervisory Board, on important aspects of corporate governance pursuant to Section 289 a of the German Commercial Code (HGB) and No. 3.10 of the German Corporate Governance Code (GCGC).

[Declaration of Conformity to the GCGC Pursuant to Section 161 of the German Stock Corporation Act \(AktG\)](#)

The Management Board and the Supervisory Board of Vonovia SE declare that the company complies with the recommendations made by the "Government Commission on the German Corporate Governance Code (GCGC)" as published on February 7, 2017, in the official section of the federal gazette by the German Federal Ministry of Justice.

Since issuing the previous declaration of conformity in May 2018, Vonovia SE has observed all of the recommendations in the GCGC with the following exception:

No. 7.1.2 sentence 3, 2nd half-sentence GCGC (interim financial reports):

The company was unable to publish the interim financial reports for the second and third quarter of the 2018 fiscal year within the recommended period due to the increased time required for the necessary consolidation process due to the acquisition of a majority stake in BUWOG AG. No. 7.1.2

sentence 3, 2nd half-sentence GCGC is adhered to again as of the fourth quarter of 2018.

[Shareholders and Annual General Meeting](#)

Shareholder Information: Shareholders can obtain full and timely information about our company on our website and can access current as well as historical company data. Among other information on its website, Vonovia regularly posts all financial reports, important information on the company's governing bodies (including resumes), its corporate governance documentation (declaration of conformity), information requiring ad hoc disclosure and press releases.

Directors' Dealings: Information on directors' dealings/managers' transactions notifiable pursuant to Article 19 of the Market Abuse Regulation is published by Vonovia without delay in accordance with the Regulation and is made available on the company's website.

Financial Calendar: Shareholders and interested members of the financial community can use a regularly updated financial calendar on the website to obtain information on publication, conference and information dates, roadshows and the timing of the Annual General Meeting early on.

Annual General Meeting and Voting: The Annual General Meeting decides in particular on the appropriation of profit, the ratification of the acts of the members of the Management Board and of the Supervisory Board, the appointment of the external auditor, amendments to the Articles of Association as well as specific capital measures and individually elects the shareholders' representatives to the Supervisory Board.

Our shareholders can exercise their voting rights at the meeting or instruct a proxy of their choice or one of the proxies provided for that purpose by the company. Our shareholders are also able to submit a postal vote. The details regarding the postal voting procedure are in the respective shareholder's invitation to the Annual General Meeting.

The entire documentation for the Annual General Meeting and opportunities to authorize, and issue instructions to, the company's proxies as well as to submit a postal vote are available to shareholders at all times on the Vonovia website.

There are no plans to allow the Annual General Meeting to be followed on the Internet.

Remuneration Paid to Executive Bodies: The remuneration paid to the Management Board and the Supervisory Board is set out in detail every year in the combined management

report in line with the corporate governance requirements. The basic principles of the remuneration system for Management Board members have been approved by the Annual General Meeting. The Chairman of the Supervisory Board will submit subsequent changes to the Annual General Meeting.

Supervisory Board

Duties and Responsibilities

The Supervisory Board appoints, supervises and advises the Management Board and is directly involved in decisions of fundamental importance to the company. The Supervisory Board performs its work in accordance with the legal provisions, the Articles of Association, its rules of procedure and its resolutions. It consists of twelve members, who were each elected for a statutory period of tenure by the 2018 Annual General Meeting. The Supervisory Board continuously oversees the management and advises the Management Board.

The Supervisory Board examines and adopts the annual financial statements and the management report. It assesses and confirms the proposal for the appropriation of profit, as well as the consolidated financial statements and the combined management report, on the basis of the report prepared by the Audit Committee. The Supervisory Board reports in writing to the shareholders at the Annual General Meeting on the result of its examination.

The Chairman of the Supervisory Board is an independent member. The same applies to the chairs of the committees which the Supervisory Board has set up. → p.39

The Chairman of the Supervisory Board chairs the meetings and coordinates communications. The members of the Supervisory Board generally have the same rights and obligations. Supervisory Board resolutions are above all passed in the Supervisory Board meetings but also, if necessary, using the written procedure or by other communication means. At least two meetings are held every six months. In addition, if necessary and on the basis of the rules of procedure of the Supervisory Board, a meeting of the Supervisory Board or its committees can be convened at any time at the request of a member or the Management Board. In the 2018 fiscal year, the Supervisory Board had seven meetings – including conference calls – and made decisions using the written procedure in two cases.

The Supervisory Board is composed in such a way that its members as a group have the knowledge, ability and specialist experience required to properly complete its tasks, and are all familiar with the real estate industry as the sector in which the company operates. Each Supervisory Board

member shall ensure that he or she has enough time to carry out his or her mandate.

At least one member of the Supervisory Board has expertise in the fields of accounting or auditing (Section 100 [5] of the German Stock Corporation Act).

Two Supervisory Board members, who are also members of the management board of a listed company, do not have any other supervisory board mandates, over and above the Supervisory Board mandate at Vonovia, at non-group listed companies or on supervisory bodies of non-group entities that make similar requirements. At the time at which this declaration was prepared, no Supervisory Board members exercised directorships or advisory tasks for important competitors of the company (see below Conflicts of Interest).

The Supervisory Board performs regular efficiency reviews that are performed, in alternation, as self-evaluations using a written survey conducted among the members and with the involvement of an independent and experienced moderator in the form of personal interviews. The 2020 Annual Report will report on the next efficiency review, which is scheduled for 2019.

Supervisory Board Committees

The Supervisory Board sets up an Executive and Nomination Committee, an Audit Committee and a Finance Committee from among its members. Further committees are formed as required. Committees are made up of at least four members of the Supervisory Board. The committees prepare subjects which are to be discussed and/or resolved by the Supervisory Board. In addition, they pass resolutions on behalf of the entire Supervisory Board. The basis for committee work was the transfer of tasks and responsibilities within the scope of the legal provisions.

The **Executive and Nomination Committee** is made up of the Chairman of the Supervisory Board and four other members to be elected by the Supervisory Board. The Chairman of the Supervisory Board is the Chairman of the Executive and Nomination Committee. The tasks of this committee are, in particular, to prepare the appointment of Management Board members, to advise on the remuneration system, to assign responsibilities and to decide in cases of legal and loan transactions with members of the Management Board and conflicts of interest.

The **Audit Committee** handles, in particular, the monitoring of the accounting process, the effectiveness of the internal control system, risk management system and internal audit system, the audit of the annual financial statements and – unless another committee is entrusted therewith – compliance.

The Supervisory Board appoints one of the members of the Audit Committee as the Chairman of the Audit Committee. When electing the committee members, the Supervisory Board shall ensure that the Chairman of the Audit Committee has specialist knowledge and experience in the application of accounting principles and internal control processes. The Committee Chairman should be independent and not be a former member of the company's Management Board whose appointment ended less than two years before their appointment as Chairman of the Audit Committee. The chairman of the Supervisory Board shall not be the chairman of the Audit Committee.

The Audit Committee prepares the resolutions of the Supervisory Board on the annual financial statements (and, if applicable, the consolidated financial statements), and, in place of the Supervisory Board, reaches the agreements with the auditor (in particular the issuing of the audit mandate to the auditor, the determination of strategic audit objectives and the fee agreement). The Audit Committee takes suitable action to determine and monitor the independence of the auditor. In place of the Supervisory Board, the Audit Committee adopts resolutions on the approval of the contracts with the auditor on additional, non-audit-related consultancy services, insofar as, according to corporate governance procedures for the Management Board, these contracts require approval.

The **Finance Committee**, which consists of the Supervisory Board Chairman or the latter's Deputy Chairman and four other members, prepares the resolutions of the Supervisory Board on the following matters:

- a) Financing and investment principles, including the capital structure of the Group companies and dividend payments
- b) Principles of the acquisition and disposal policies, including the acquisition and disposal of individual shareholdings of strategic importance

In place of the Supervisory Board, the Finance Committee adopts resolutions in particular on general guidelines and principles for the implementation of this financial strategy, including the handling of currency risks, interest, liquidity and other financial risks and the handling of credit risks and the implementation of external financing principles as well as on important transactions regarding the acquisition and disposal of properties and shares in companies as well as on the acquiring of financing.

The Management Board

Duties and Responsibilities

The Management Board members are jointly accountable for independently managing the company in the company's best interests while complying with the applicable laws and regulations, the Articles of Association and the rules of procedure. In doing so, they must take the interests of the shareholders, the employees and other stakeholders into account.

The Management Board is monitored and advised by the Supervisory Board. It has adopted the rules of procedure in consultation with the Supervisory Board. The Management Board has a chairman who coordinates the work of the Management Board and represents it in dealings with the Supervisory Board. The Chairman of the Management Board has the right to veto Management Board resolutions.

The members of the Management Board are Rolf Buch (Chairman) as well as Klaus Freiberg, Helene von Roeder and Daniel Riedl. Further information can be found on → p. 32 et seq. of the 2018 Annual Report. The decision has been made not to establish any Management Board committees.

The Management Board informs the Supervisory Board regularly, in due time and comprehensively in line with the principles of diligent and faithful accounting in accordance with the law and the reporting duties specified by the Supervisory Board.

The Management Board develops the company's strategy, coordinates it with the Supervisory Board and implements it. The Management Board ensures that all statutory provisions and the company's internal policies are complied with. The Management Board also ensures appropriate risk management and risk controlling in the company.

It submits the corporate planning for the coming fiscal year to the Supervisory Board as well as the midterm and strategic planning. The Chairman of the Management Board informs the Supervisory Board Chairman without delay of important events that are essential for the assessment of the situation and the development of the company or for the management of the company as well as of any shortcomings that occur in the monitoring systems.

The Management Board requires the approval of the Supervisory Board for certain important transactions. Transactions and measures that require Supervisory Board approval are submitted to the Supervisory Board in good time.

The Management Board members are obliged to disclose any conflicts of interest to the Supervisory Board without delay and to inform the other Management Board members accordingly.

The Management Board members are subject to a comprehensive non-competition obligation. Management Board members may only take up sideline activities, in particular positions on supervisory boards outside the Group, with the approval of the Supervisory Board.

Important transactions between the company, on the one hand, and the Management Board members as well as persons they are close to or companies they have a personal association with, on the other hand, require the approval of the Supervisory Board. Reference is made to such relations in the remuneration report.

Recruitment of Members of Executive Bodies

In accordance with the German Corporate Governance Code, the Supervisory Board and the Management Board must be composed in such a way that these bodies/their members as a group have the knowledge, ability and specialist experience required to properly complete their tasks. The requirements were extended and set out by law with the entry into force of the CSR Directive Implementation Act. The Supervisory Board has adopted the following criteria and objectives for recruiting individuals to the Management and Supervisory Boards, taking the above mentioned requirements into account:

Recruitment of Members of the Supervisory Board

Composition: As a listed company that is not subject to codetermination, the Supervisory Board of Vonovia SE is to include twelve members, an appropriate number of whom are to be independent within the meaning of the Code. All members should have sufficient time available to perform the duties associated with their mandate with due regularity and care.

When proposing candidates to fill new Supervisory Board positions to the Annual General Meeting, the Supervisory Board should have performed an extensive review to ensure that the candidates standing for election meet the corresponding professional and personal requirements (see below) and must disclose the candidates' personal and business-related relationships with the company, the governing bodies of the company and any shareholders with a material interest in the company. Shareholders are deemed to hold a material interest if they hold more than 10% of the voting shares in the company, either directly or indirectly.

Other general criteria governing composition include:

- > No more than two former members of the Management Board shall be members of the Supervisory Board.
- > Supervisory Board members shall not exercise directorships or similar positions or advisory tasks for important competitors of the company.
- > If a (designated) member belongs to the management board of a listed company, this member shall not accept more than a total of three supervisory board mandates in non-group listed companies or on supervisory bodies of non-group entities that make similar requirements.
- > The standard limit for length of membership on the Supervisory Board has been set at a maximum of 15 years.
- > The age limit has been set at 75 at the time of election to the Supervisory Board.

Skills profile: The Supervisory Board of Vonovia SE should be composed so as to ensure qualified supervision of, and provision of advice to, the Management Board. The candidates nominated for election to the Supervisory Board should be able, on the basis of their knowledge, skills and professional experience, to perform the duties of a Supervisory Board member of a listed real estate company that is active on the international capital market.

In terms of their personality, the candidates nominated for election should show integrity, professionalism and commitment. The aim is to ensure that the Supervisory Board as a whole offers all of the knowledge and experience that the Group considers to be important for ensuring Vonovia's operational and financial further development.

Independence: The Supervisory Board shall only include members that it considers to be independent. Material conflicts of interest that are not merely of a temporary nature, e.g. arising from functions on executive bodies or advisory roles performed at the company's major competitors, should be avoided. A Supervisory Board member is, in particular, not to be considered independent if they have personal or business relations with the company, its bodies, a controlling shareholder or a company associated with such a shareholder that may cause a substantial and not merely temporary conflict of interest.

Diversity: When nominating candidates for election, the Supervisory Board should also take diversity into account. In accordance with the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in Privatwirtschaft und im öffentlichen Dienst), the Supervisory Board should comprise at least 30% women and 30% men. In addition, at least one woman should be a

member of the Nomination Committee. Vonovia's Supervisory Board should meet both criteria.

When assessing potential candidates for reelection or to fill a Supervisory Board position that has become vacant, qualified women should be included in the selection process and given appropriate consideration when the nominations are made.

Target Achievement: The objectives regarding the composition of the Supervisory Board set out above have been met:

There are four female members of the Supervisory Board (33 %). Hildegard Müller, Clara-Christina Streit and Dr. Ariane Reinhart are members of the Executive and Nomination Committee. All 12 members of the Supervisory Board are considered by the latter to be independent within the meaning of No. 5.4.2 of the GCGC. The main knowledge, skills and professional experience of the Supervisory Board members are summarized in the table below. The Report of the Supervisory Board in this Annual Report includes a table showing meeting attendance. → p. 37 It shows that all members performed the duties associated with their mandate with due regularity.

Supervisory Board Qualifications Profile

Name	In-dependent?	Year of birth	Year appointed	Nationality	Key skills & areas of experience*								
					Accountancy, finances	Real estate	Strategy	Legal and regulation	International experience, M&A, capital markets	Investment expertise	Digitization	Sustainability	
Jürgen Fitschen (Chairman)	yes	1948	2018	German	x		x	x		x			
Prof. Dr. Edgar Ernst	yes	1952	2013	German	x		x	x		x			
Burkhard Ulrich Drescher	yes	1951	2014	German		x	x	x				x	x
Vitus Eckert	yes	1969	2018	Austrian		x	x	x		x			
Dr. Florian Funck	yes	1971	2014	German	x		x	x		x			
Dr. Ute Geipel-Faber	yes	1950	2015	German	x	x				x			
Daniel Just	yes	1957	2015	German	x	x	x					x	x
Hildegard Müller	yes	1967	2013	German	x		x	x				x	x
Prof. Dr. Klaus Rauscher	yes	1949	2008	German	x	x	x	x		x			
Dr. Ariane Reinhart	yes	1969	2016	German				x	x	x		x	x
Clara-Christina Streit	yes	1968	2013	German/US	x		x			x		x	
Christian Ulbrich	yes	1966	2014	German		x	x			x		x	

* The members of the Supervisory Board can specify up to 5 areas of expertise.

Recruitment of Members of the Management Board

In accordance with the German Corporate Governance Code, the Management Board is responsible for managing the company in the best interests of the company, meaning that it considers the needs of the shareholders, the employees and other stakeholders, with the objective of sustainable value creation. The Management Board develops the strategy for the company, agrees it with the Supervisory Board and ensures its implementation. The Management Board ensures that all provisions of law and the company's internal policies are complied with, and endeavors to achieve their compliance by the Group entities (compliance). The Management Board is also responsible for ensuring appropriate risk management and risk control and, when filling manage-

ment positions, must take the diversity principles into account in accordance with the objectives that have been set internally.

Composition: In accordance with the Articles of Association, the Management Board of Vonovia SE consists of at least two members. The Supervisory Board appoints the Management Board members in accordance with the Articles of Association and the law. The Supervisory Board can appoint a Chairman of the Management Board and a Deputy Chairman of the Management Board.

The decisions made by the Supervisory Board on the composition of the Management Board should be based on a careful analysis of the existing and future challenges facing the company.

The Management Board of Vonovia SE should be composed so as to ensure that, as the management body, it can perform the duties set out above reliably and in full. When taken as a whole, it should combine all of the knowledge and experience required to ensure that the Group can pursue its operational and financial objectives in an effective and sustainable manner in the interests of the shareholders and other stakeholders.

While membership of the Management Board is not limited to a certain period of time, the contract of employment of a Management Board member ends when the member turns 67 at the latest.

Skills profile: Newly appointed Management Board members should be able, on the basis of their knowledge, skills and professional experience, to reliably perform the duties assigned to them in a listed real estate company that is active on the international capital market. In addition to having good professional and fundamental general qualifications, they should also show integrity, professionalism and commitment.

Independence: The Management Board should perform its management duties in a manner that is free of any conflicts of interest. Functions on executive bodies or advisory roles performed at major competitors of the company should be avoided.

Diversity: When looking for candidates to fill a Management Board position that has become vacant, the Supervisory Board should include qualified women in the selection process and give them appropriate consideration. Gender should be irrelevant when it comes to filling Management Board positions. The Supervisory Board has set a target of at least 20% women on the Management Board, to be met by December 31, 2021. For the two levels of management below the Management Board, the target for the proportion of women is 30%.

Target Achievement: The objectives regarding the composition of the Management Board set out above have been met in full. The Management Board consists of one female and three male members who are able to manage the Group appropriately on the basis of their experience and skills. At the time at which this declaration was made, the first level of management below the Management Board still comprises 17.6% women, as the corresponding group of employees remains unchanged. The aim is to use corresponding succession planning to have achieved the new target of 30% by December 31, 2021. At 33.9%, the targeted proportion of women set by the Management Board for the second level of management below the Management Board has already been met.

Cooperation Between the Management Board and the Supervisory Board

The Management and Supervisory Boards vote on the strategic direction of the company and discuss the current status of its implementation at regular intervals. Furthermore, the Management Board regularly informs the Supervisory Board in written or verbal reports of topics including the development of business and the situation of the company. In this way, the Supervisory Board receives detailed documents from the Management Board regularly and in a timely manner on the economic development and the company's current situation as well as the half-yearly risk management and compliance reports that deal with the most important risks for the business of Vonovia SE as well as compliance management. On the basis of these reports, the Supervisory Board monitors the company's management by the Management Board, as well as via its committees where particular powers are delegated to these committees. The Supervisory Board meets on a regular basis without the Management Board if personnel matters relating to the Management Board are to be discussed.

Avoidance of Conflicts of Interest

In the fiscal year, there were no conflicts of interest of Management Board or Supervisory Board members, which are to be reported immediately to the Supervisory Board. There was no need to discuss or make decisions on legal matters, in particular lending transactions with members of executive bodies or individuals related to them.

Accounting and Financial Statement Auditing

The Annual General Meeting selected KPMG AG Wirtschaftsprüfungsgesellschaft as auditor for the annual financial statements and consolidated financial statements. In the audit assignment awarded to the auditor of the annual financial statements by the Audit Committee, an agreement has also been reached on adherence to the provisions set out in No. 7.2.1 (2) and 7.2.3 GCGC. We prepare the annual financial statements of Vonovia SE in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) to be applied in the EU. In addition, we prepare a combined management report as required by the German Commercial Code and the German Stock Corporation Act (AktG). The Management Board is responsible for financial accounting. The Supervisory Board examines and adopts or approves the annual financial statements, the consolidated financial statements and the combined management report.

In addition to our annual financial statements, we also prepare interim statements for the first and third quarters, as well as an interim financial report for the first half-year in accordance with the German Securities Trading Act.

Both the interim statements and the interim financial report are presented to, and discussed with, the Audit Committee of the Supervisory Board before they are published.

Under German stock corporation and commercial law, there are special requirements for internal risk management that apply to Vonovia. Therefore, our risk management system covers risk inventory, analysis, handling and limitation. In accordance with Section 317 (4) of the German Commercial Code applicable to listed companies, KPMG assesses in its audit the risk early warning system as part of the risk management system.

Furthermore, we maintain standard documentation of all our internal control mechanisms throughout the Group and continually evaluate their effectiveness. Our auditor has not reported any material weaknesses in the accounting-related internal control system detected in its audit to the Management Board and the Supervisory Board.

In the combined management report, we provide comprehensive information on the main features of the internal control and risk management system with regard to the accounting process and the Group accounting process in accordance with our reporting duties pursuant to Sections 289 (5), and 315 (2) No. 5 of the German Commercial Code.