

**Our company****To our shareholders****Sustainability report**  
(unaudited)**► Combined management report**Foundations  
of the Group

Economic report

Risk and  
opportunities report

Outlook

Remuneration report

Takeover law disclosures

**► Corporate governance statement** (unaudited)

Other disclosures

**Consolidated financial statements**

## Corporate governance statement (unaudited)

In this report, Instone Real Estate Group AG (hereinafter also: the Company) provides information about the Company's corporate governance in accordance with Sections 289f and 315d of the German Commercial Code (HGB) on the principles of corporate governance and Section 161 of the German Stock Corporation Act (AktG) and in accordance with the German Corporate Governance Code (GCGC). In addition to the Declaration of Compliance with the GCGC, the corporate governance statement also contains information about corporate governance, and the composition and working methods of the Management Board and Supervisory Board, as well as the Supervisory Board committees. [GRI 102-32](#)

### Implementation of the GCGC

Corporate governance involves the responsible management and control of companies, geared towards long-term value creation. The corporate governance and corporate culture of Instone Real Estate Group AG comply with the legal requirements and – with a few exceptions – the additional recommendations of the GCGC. The Management Board and Supervisory Board feel very committed to good corporate governance and all divisions are guided by this objective. The Company focusses on values such as competence, transparency and sustainability.

The Management Board and Supervisory Board have carefully considered the fulfilment of the GCGC requirements. In doing so, they have taken into account the Code as amended on 16 December 2019 and, in accordance with Section 161 AktG for the third time after the cross-border change of legal form to a German stock corporation, submitted their Declaration of Compliance with the recommendations of the Code in December 2020 and commented on the few exceptions.

The statement and any further declarations of compliance since the IPO are published on the Company's website under [Instone compliance statement](#).

### Declaration of Compliance

The Management Board and Supervisory Board of Instone Real Estate Group AG (the "Company") are required pursuant to Section 161 (1) of the German Stock Corporation Act (AktG) to issue an annual Declaration of Compliance stating that the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice and Consumer Protection in the official Section of the Federal Gazette have been and are being complied with or which recommendations have not been or are not being complied with and why not. The Management Board and Supervisory Board issued a Declaration of Compliance for the first time in December 2018.

The Company's Management Board and Supervisory Board declare that since submitting the last Declaration of Compliance in December 2019, they have complied with the recommendations of the Government Commission on the German Corporate Governance Code in the version last published in the official part of the Federal Gazette on 20 March 2020 and dated 16 December 2019 ("2020 GCGC") and will also do so in future, with the following exceptions:

According to Recommendation E.2 of the 2020 GCGC, mandatory financial information to be disclosed during the year should be made publicly available within 45 days of the end of the reporting period. The Company complies with the publication of interim reports in accordance with legal requirements (making half-yearly financial reports available within three months of the end of the reporting period) and with the requirements of the Exchange Rules of the Frankfurt Stock Exchange for the Prime Standard (making half-yearly financial reports available within three months and making quarterly financial reports or communications available within two months of the end of the period under review). The Management Board and Supervisory Board consider these to be appropriate. Publication within the shorter deadline recommended by the 2020 GCGC would currently require the use of significant additional financial and human resources that, in the opinion of the Management Board and Supervisory Board, are disproportionate to the shareholders' need for information.



## Our company

---

### To our shareholders

---

### Sustainability report (unaudited)

---

### ► Combined management report

---

Foundations  
of the Group

---

Economic report

---

Risk and  
opportunities report

---

Outlook

---

Remuneration report

---

Takeover law disclosures

---

### ► Corporate governance statement (unaudited)

---

Other disclosures

---

### Consolidated financial statements

---

Section G.I. of the 2020 GCGC contains new recommendations on the remuneration of the Management Board compared with the previous version. In accordance with the new recommendations of the 2020 GCGC, the Supervisory Board is currently preparing an updated remuneration system which is to be proposed to the 2021 Annual General Meeting for resolution. The current remuneration system therefore does not currently fully comply with the following recommendations of the GCGC: G.1 (Definition of the remuneration system), G.2 (Definition of the actual total remuneration), G.6 (Predominance of the variable remuneration from achieving long-term objectives), G.7 (Definition of performance-based criteria for the upcoming financial year), G.10 (Availability of long-term variable amounts granted after four years) and G.11 (Possibility of withholding or reclaiming variable remuneration).

Furthermore, since the last statement of compliance was submitted in December 2019, the Company has complied with all the recommendations of the version of the German Corporate Governance Code of 7 February 2017 (“2017 GCGC”) published by the Federal Ministry of Justice in the official section of the Federal Gazette on 24 April 2017 until the entry into force of the 2020 GCGC, with the following exceptions:

Section 4.2.3 (2) sentence 6 of 2017 GCGC recommended that there is a maximum limit for the remuneration of the members of the Management Board as a whole and with regard to their variable remuneration components. The current remuneration system of the Management Board, which was already set before the first listing on the stock exchange and therefore before the recommendations of the 2017 GCGC applied, limits any material remuneration elements individually to an amount, i.e. the fixed remuneration, the variable remuneration components assessed on a one-year and multi-year basis, and the pension commitments. However, there is no maximum limit set for fringe benefits that are part of the remuneration (essentially the use of a company car and the

payment of premiums for accident insurance with standard services and the reimbursement of expenses and travel costs). As a result, no total maximum limit has been defined. The Management Board and the Supervisory Board did not believe that the lack of a limited amount of fringe benefits and the resulting lack of a total maximum limit against the backdrop of setting maximum limits for all relatively significant remuneration components constituted a material deviation from the recommendation of the 2017 Code. As a precaution, the Management Board and Supervisory Board nevertheless declared a deviation from Section 4.2.3(2) sentence 6 of the 2017 GCGC.

Section 7.1.2 of the 2017 GCGC recommended making mandatory interim financial information publicly available within 45 days of the end of the reporting period. The Company complied with the publication of interim reports in accordance with the legal requirements (making half-yearly financial reports available within three months of the end of the reporting period) and with the requirements of the Exchange Rules of the Frankfurt Stock Exchange for the Prime Standard (making half-yearly financial reports available within three months and making quarterly financial reports or communications available within two months of the end of the period under review). The Management Board and Supervisory Board considered these to be appropriate. Publication within the shorter deadline recommended by the 2017 GCGC would have required the use of significant additional financial and human resources that, in the opinion of the Management Board and Supervisory Board, would have been disproportionate to the shareholders’ need for information.

Essen, December 2020

The Management Board

The Supervisory Board



## Our company

---

### To our shareholders

---

### Sustainability report (unaudited)

---

### ► Combined management report

---

Foundations  
of the Group

---

Economic report

---

Risk and  
opportunities report

---

Outlook

---

Remuneration report

---

Takeover law disclosures

---

### ► Corporate governance statement (unaudited)

---

Other disclosures

---

### Consolidated financial statements

---

## Corporate governance practices

The management of Instone Real Estate Group AG is largely determined by the provisions of the German Stock Corporation Act (AktG) and is also focussed on the requirements of the German Corporate Governance Code. In addition, the Management Board has laid down basic values for lawful and ethical conduct in a Group-wide Code of Conduct. This specifies existing duties and responsibilities and derives various codes of conduct on the basis of the law or existing official instructions. The Code of Conduct offers Instone-Group employees orientation and assistance in their day-to-day work while at the same time providing binding requirements for the actions of all employees. Instone Real Estate Group AG is expressly committed to the values reflected in the Code of Conduct.

## Working methods of the Management Board and Supervisory Board

Instone Real Estate Group AG, as a stock corporation in accordance with the German Stock Corporation Act (Aktengesetz), with headquarters in Essen, Germany, has a dual management system consisting of the Management Board and Supervisory Board. These work together closely and trustingly for the benefit of the Company. The Management Board manages the Company whereas the Supervisory Board provides advice and supervision.

The shareholders of Instone Real Estate Group AG exercise their rights at the Annual General Meeting.

Both the Management Board and the Supervisory Board each have their own Rules of Procedure which include detailed regulations about the respective activities of the Boards and the internal organisation, as well as for the collaboration between the Management Board and the Supervisory Board which go beyond the provisions of stock corporation law. [GRI 102-18](#)

## Management Board

The Management Board manages the Company on its own responsibility in accordance with the statutory provisions, the Articles of Association and the Rules of Procedure for the Management Board. It is committed to acting in the Company's best interests. The Management Board develops the strategic direction of the Company, coordinates this with the Supervisory Board and ensures its implementation. It also bears responsibility for appropriate risk management and controlling as well as regular, timely and comprehensive reporting to the Supervisory Board.

The Management Board performs the management function as a collegial body. Irrespective of the overall responsibility for the management, the individual members of the Management Board are responsible for the departments assigned to them in accordance with the legislation, the Articles of Association and the Rules of Procedure for the Management Board, and are personally responsible in the context of Board of Management resolutions. The work of the Management Board, including the allocation of responsibilities, is governed by the Rules of Procedure for the Management Board, which were adopted by the Supervisory Board and last amended in the 2020 financial year on 30 April 2020.

[GRI 102-18](#)

The organisational chart defined for the Management Board is shown on the following page.

The Rules of Procedure for the Board of Management also specify when a resolution is required to be passed by the entire Management Board and for which matters a Management Board resolution always requires the participation of the Chair of the Management Board and/or the Chief Financial Officer. Management Board meetings are held biweekly when possible, but at least once a month, under the direction of the Chairman of the Management Board. Occasionally, individual members of the Management Board also participate by telephone or video conference, and board meetings were regularly held virtually in the past financial year due to the impact of the coronavirus pandemic. The Rules of Procedure for the Management Board also allow resolutions to be passed outside of meetings. Resolutions are passed by a simple majority of the votes cast unless the law provides otherwise.



**Our company**

**To our shareholders**

**Sustainability report**  
(unaudited)

**► Combined management report**

Foundations of the Group

Economic report

Risk and opportunities report

Outlook

Remuneration report

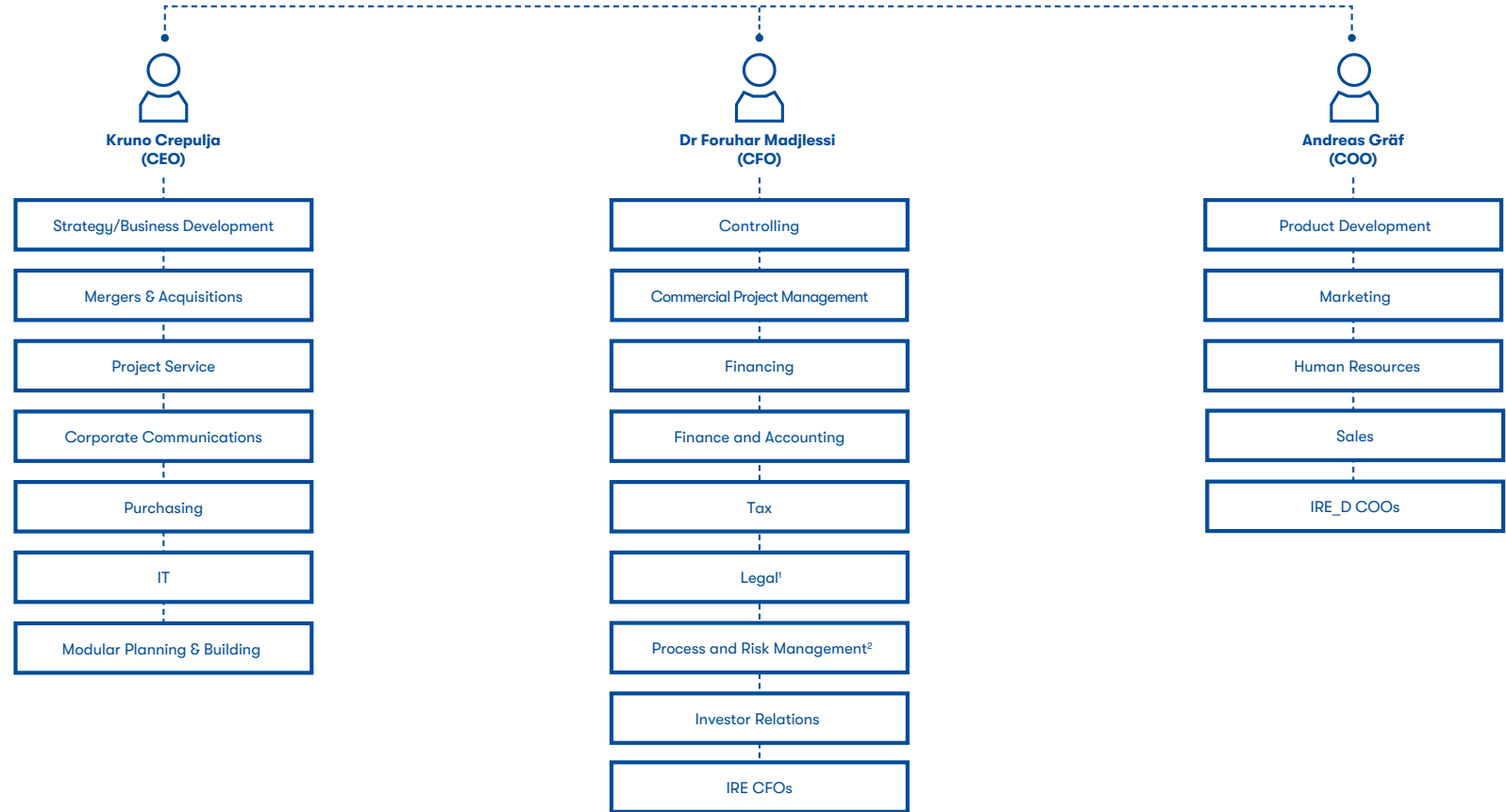
Takeover law disclosures

**► Corporate governance statement** (unaudited)

Other disclosures

**Consolidated financial statements**

**Instone Real Estate Group AG – organisational chart**



<sup>1</sup> Including corporate and capital markets as well as support for the Supervisory Board.  
<sup>2</sup> Including auditing, compliance, data protection.

## Our company

### To our shareholders

### Sustainability report (unaudited)

#### ► Combined management report

Foundations  
of the Group

Economic report

Risk and  
opportunities report

Outlook

Remuneration report

Takeover law disclosures

#### ► Corporate governance statement (unaudited)

Other disclosures

### Consolidated financial statements

In accordance with the general representation rules of the Articles of Association, the Company is represented by two members of the Management Board or by one member of the Management Board together with an authorised representative.

In addition to certain approval reservations contained in the Articles of Association, the Supervisory Board has set out certain other transactions and measures of fundamental importance in the Rules of Procedure for the Management Board which require its prior approval. These include, for example, the adoption of the annual planning, larger land acquisitions and the conclusion and amendment of certain financing agreements, as well as the implementation of certain corporate law measures. Transactions between the Company or one of its subsidiaries and members of the Management Board or related parties also require the approval of the Supervisory Board Audit Committee and must comply with the usual market conditions.

The Management Board informs the Supervisory Board regularly and comprehensively as well as promptly, and when appropriate, and in accordance with the legislation, the Articles of Association and the principles of information defined in the Rules of Procedure for the Management Board, in particular with regard to any issues that are relevant to strategy, planning and business development, the risk situation, risk management and compliance relevant to the Company as well as the ongoing projects and the financing situation of the Company. The Chair of the Management Board and the Chair of the Supervisory Board are also in regular communication.

## Supervisory Board

The Supervisory Board advises and monitors the Management Board. It works closely with the Management Board for the benefit of the Company and is involved in all decisions of fundamental importance.

Its rights and duties are determined by the statutory provisions, the Articles of Association, the Rules of Procedure for the Supervisory Board of 30 April 2020 and the Rules of Procedure for the Management Board. It appoints and dismisses the members of the Management Board, represents the Company when dealing with them and, together with the Management Board, ensures long-term succession planning.

The work of the Supervisory Board takes place both in plenary sessions and in committees. The work of the committees aims to further increase the efficiency of the Supervisory Board's work. The committee chairs regularly report to the Supervisory Board on the work of their respective committees. According to its Rules of Procedure, the Supervisory Board must hold at least two meetings in six calendar months. In addition, it holds meetings where these are in the interests of the Company, and assesses the efficiency of its activities at regular intervals, most recently in financial year 2018. The Company also supports the members of the Supervisory Board in performing the tasks of their office and with their training and continual professional development.

Members of the Supervisory Board are selected in light of their respective knowledge, abilities and professional aptitude as well as their skills profile. According to the targets for the skills profile of members of the Supervisory Board, this in particular includes the following knowledge, skills and professional experience required for the members of the Supervisory Board as a whole:

- Experience in managing or supervising medium-sized or large companies or complex organisations
- Members as a whole must be familiar with the real estate sector and the project development industry
- In-depth knowledge about finance, accounting treatments, accounting, law and compliance in the General Committee as a whole
- At least one member of the Supervisory Board must have expertise in the areas of accounting or auditing (Section 100 (5) AktG)
- Experience with capital market instruments and bank financing

Only persons who have not yet reached the age of 70 at the time of appointment are to be proposed for election as a member of the Company's Supervisory Board. The standard limit for the period of membership of the Supervisory Board is twelve years.

The Company has complied with the individual recommendations in section C.1 of the GCGC relating to the determination of specific objectives for the composition of the Supervisory Board under certain criteria, the consideration of these objectives



## Our company

---

### To our shareholders

---

### Sustainability report (unaudited)

---

### ► Combined management report

---

Foundations  
of the Group

---

Economic report

---

Risk and  
opportunities report

---

Outlook

---

Remuneration report

---

Takeover law disclosures

---

### ► Corporate governance statement (unaudited)

---

Other disclosures

---

### Consolidated financial statements

---

in the Supervisory Board's proposals and the publication of these objectives and their implementation status in the corporate governance statement. In the 2020 financial year, the members of the Supervisory Board fulfilled the overall competence profile. [GRI 102-22; 102-24](#)

## Target figures for the proportion of women

The "German law for the equal participation of women and men in management positions in the private sector and in the public sector" obliges Instone Real Estate Group AG to set target figures for the proportion of women on the Supervisory Board, the Management Board and the first two management levels below the Management Board.

Following the Company's change of legal form into a stock corporation (Aktiengesellschaft) under German law, the Supervisory Board therefore set a target for the proportion of women in the Supervisory Board of 20% for the first time in financial year 2018. The Supervisory Board reviewed this target again in December 2020 and continues to use this target following this review. The proportion of women on the Supervisory Board is currently 20%, so that the target is met.

For the Management Board of Instone Real Estate Group AG, the target figure for the proportion of women set by the Supervisory Board for the period up to 30 November 2020 was 0%. This was due not least to the fact that the Supervisory Board, taking into account the existing circumstances, in particular the current appointment term of members of the Management Board, was not able to set a higher quota. Nonetheless, the Supervisory Board has determined that the composition of the Management Board will also continue to respect diversity in the future. Nevertheless, the Supervisory Board is convinced that a position is to be filled primarily on the basis of qualification and competence – irrespective of gender. The Company has met the targets during the period under review. The Supervisory Board intends to continue to maintain the previous target proportion after reviewing the definition of the target figure and in the light of the reasons outlined above.

Both targets confirmed for the Management Board and the Supervisory Board in December 2020 are valid for five years until December 2025 according to the guidelines of the Supervisory Board. At the end of this period, it will reassess the target.

The Board of Management had set a minimum target rate of 0% on 18 December 2018 for the proportion of women on the first management level below the Management Board, which at the time of the first appointment by the Management Board consisted of the members of the Managing Directors of Instone Real Estate Development GmbH and Instone Real Estate Leipzig GmbH. The minimum proportion was exceeded due to the appointment of Ms. Reinhardt Weith as a member of the Management Board of Instone Real Estate Development GmbH, meaning that by the end of the two-year implementation period envisaged by the Board on 18 December 2020, the actual proportion of women was 25%. In December 2020, the Management Board therefore decided in its second review to set the target proportion at 25% in future (without taking into account dual mandates). Due to the largely completed relocation of the operating business from Instone Real Estate Leipzig GmbH to Instone Real Estate Development GmbH, the first management level will in future consist of the members of the Management Board of Instone Real Estate Development GmbH and Nyoo Real Estate GmbH.

At the second management level below the Management Board which, at the time of the first appointment by the Management Board, consisted of the authorized representatives (Prokuristen) of Instone Real Estate Development GmbH and Instone Real Estate Leipzig GmbH, the Board of Management had set the minimum proportion at 25% on 18 December 2018 with a deadline for implementation of 18 December 2020. At this time, the proportion of women at this management level was 17%. In the meantime, the Management Board has succeeded in further increasing this proportion to around 22% in 2019 and is significantly closer to achieving its self-imposed target. At the time of the review on 18 December 2020, the proportion of women at the second management level was slightly below the self-imposed target of 25%, at around 19%. This was mainly due to the appointment of Ms Reinhardt Weith as a member of the Management Board of Instone Real Estate Development GmbH and thus the admission of a female executive to the first management level. In December 2020, following the review of compliance with the targets, the Management Board decided that the target figure for the second management level is to be 30% in future, with the second management level consisting of the division heads, branch managers, commercial managers and department heads of the Instone-Group in order to take into account the further development of the Instone-Group since December 2018. This target was around 22% as at 1 January 2020. The Management Board has set implementation deadlines of five



## Our company

---

### To our shareholders

---

### Sustainability report (unaudited)

---

### ► Combined management report

---

Foundations  
of the Group

---

Economic report

---

Risk and  
opportunities report

---

Outlook

---

Remuneration report

---

Takeover law disclosures

---

### ► Corporate governance statement (unaudited)

---

Other disclosures

---

## Consolidated financial statements

---



years, ending in December 2025, for the achievement of the targets at the first and second management levels.

The Management Board promotes the achievement of goals through long-term staff planning and development. This includes, for example, the targeted support of female employees through training and further education measures as well as separate work time models to promote equal opportunities in order to increase the number of women in management positions. In line with the practice adopted since the IPO, the Management Board has also determined, in accordance with Section A.1 of the GCGC, that diversity should also be respected and promoted for management appointments within the Company. The Management Board believes that diversity includes – but is not limited to – age, gender, international background, education and professional experience. Notwithstanding, the appointment and promotion of senior management positions in the Company and the underlying selection decisions will continue to be substantially based on specific qualifications. The Management Board will therefore continue to select managers based on their professional ability and aptitude for the specific roles in this management role, regardless of their background, gender or other non-performance characteristics.

## Composition of the Management Board and Supervisory Board

According to the Company's Articles of Association, the Management Board consists of at least two persons. The number of members is determined by the Supervisory Board. In the 2020 financial year, the Management Board consisted of three members with equal rights, each responsible for the departments assigned to them.

Together with the Management Board, the Supervisory Board ensures long-term succession planning for appointments to the Management Board. The long-term succession planning of Instone Real Estate Group AG is based on the corporate strategy, and takes into account the duration of the employment contracts of members of the Management Board and the standard age limit of 65 years laid down by the Supervisory Board for the members of the Management Board. The Supervisory Board has decided to negotiate an extension of an expiring contract at the latest six months before the expiry of an employment contract, in principle together with the Management Board, and/or, if necessary, to initiate their succession by another suitable candidate. The Supervisory Board shall draft a

job profile for vacant positions on the Management Board or for external candidates for positions to be filled, taking into account the diversity concept of the Company. In doing so, the Supervisory Board shall ensure that the knowledge, skills and experience of the candidates are in line with the requirements of the position to be filled and that they are balanced across the Management Board as a whole. In addition, the Management Board reports regularly on the appointment and succession planning at the other management levels below the Management Board.

According to the Articles of Association, the Supervisory Board consists of five members. It is not subject to employee co-determination. All members are elected as shareholder representatives by the Company's Annual General Meeting. All members of the Supervisory Board are independent in accordance with the recommendations of the GCGC.

Details of the members of the Management Board and the Supervisory Board can be found in the notes to the consolidated financial statements of Instone Real Estate Group AG in accordance with Section 285 No. 10 of the German Commercial Code (HGB). [☰ page 210 f.](#)

## Collaboration between the Management Board and Supervisory Board

The Management Board and Supervisory Board work together closely for the benefit of the Company. The intensive and constant dialogue between the Boards forms the basis for efficient and targeted company management. The Management Board develops the strategic direction of Instone Real Estate Group AG, coordinates this with the Supervisory Board and ensures its implementation. [🔗 GRI 102-26](#)

Both Boards also hold an annual joint strategy meeting, at which the respective members exchange views openly on the strategic direction of the company and initiatives of the Management Board. The Management Board also discusses the status of the strategy implementation with the Supervisory Board at regular intervals. The Chair of the Supervisory Board and the Chair of the Audit Committee regularly liaise with the Management Board between meetings and discuss questions of strategy, planning, business development, risk situation, risk management and compliance with the Management Board. The Chair of the Supervisory Board is informed by the Management Board without delay about important events which are of material importance for the assessing the



## Our company

### To our shareholders

### Sustainability report (unaudited)

#### ► Combined management report

Foundations  
of the Group

Economic report

Risk and  
opportunities report

Outlook

Remuneration report

Takeover law disclosures

#### ► Corporate governance statement (unaudited)

Other disclosures

### Consolidated financial statements

financial position and performance as well as for managing the Company and its Group companies. The Chair of the Supervisory Board then informs the Supervisory Board and convenes an extraordinary Supervisory Board meeting if necessary. In addition, the Management Board reports to the Supervisory Board regularly and as required by law, by the Articles of Association and by the Management Board's Rules of Procedure, which contain comprehensive provisions for the reports and information to be submitted. [GRI 102-30; 102-31](#)

The Articles of Association and the Rules of Procedure for the Management Board also stipulate that fundamentally significant measures and legal transactions must be subject to approval by the Supervisory Board.

Transactions by members of the Management Board and related parties require the approval of the Supervisory Board Audit Committee. The assumption of ancillary activities outside the Company – in particular, the performance of supervisory board mandates and mandates in comparable supervisory bodies of commercial enterprises – requires the approval of the Supervisory Board.

A D&O group insurance policy has been concluded for the members of the Management Board and the Supervisory Board. It provides for a deductible for members of the Management Board that complies with the requirements of Section 93(2) 3 AktG.

## Supervisory Board committee

In the 2020 financial year, the Supervisory Board had at its disposal three committees: the Nomination Committee, the Audit Committee and the Remuneration Committee. Further committees can be formed as required. The tasks and responsibilities and the personnel composition of the committees are set out below:

[GRI 102-18; 102-22](#)

### Nomination Committee

The Nomination Committee advises on key topics and prepares Supervisory Board resolutions by proposing to the Supervisory Board suitable candidates for its nominations to the Annual General Meeting.

Members of the Nomination Committee in the 2020 financial year were:

- Dietmar P. Binkowska (Chair)
- Stefan Brendgen
- Dr Jochen Scharpe

### Audit committee

The audit committee is responsible, in particular, for monitoring the accounting process, effectiveness of the internal control system and internal auditing system, the audit, in particular, the independence of the auditor, additional services provided by the auditor, the appointment of the auditor, granting the audit assignment to the auditor, the determination of audit priorities and the fee agreement as well as compliance.

The audit committee prepares the resolutions of the Supervisory Board relating to the annual financial statements and the consolidated financial statements. It is primarily responsible for the preliminary examination of the documents relating to the annual financial statements and the consolidated financial statements, as well as the preparation of the statement or its approval and the profit appropriation proposal of the Management Board. Furthermore, the Audit Committee prepares the agreements with the auditor (in particular the appointment of the auditor), the determination of audit priorities and the fee agreement, as well as the engagement of the auditor by the Annual General Meeting. This also includes auditing the necessary independence, whereby the Audit Committee takes appropriate measures to ascertain and monitor the independence of the auditor. In place of the Supervisory Board plenary session, the audit committee decides on the approval of contracts with external auditors with regard to additional advisory services, insofar as these agreements require the approval of the Supervisory Board. The Audit Committee also decides on related party transactions instead of the full Supervisory Board plenary session. The audit committee discusses the principles of compliance, risk assessment, risk management and the appropriateness and functionality of the internal control system with the Management Board. [GRI 102-29; 102-30; 102-33](#)





## Our company

### To our shareholders

### Sustainability report (unaudited)

### ► Combined management report

Foundations  
of the Group

Economic report

Risk and  
opportunities report

Outlook

Remuneration report

Takeover law disclosures

### ► Corporate governance statement (unaudited)

Other disclosures

### Consolidated financial statements

The following members were members of the Audit Committee in financial year 2020:

- Dr Jochen Scharpe (Chairman)
- Stefan Brendgen
- Thomas Hegel

The Chair of the Audit Committee is independent. He has expertise in accounting and auditing and thus meets the requirements of Section 100 (5) AktG. In addition, the Chairman of the Committee has particular knowledge and experience in the application of accounting principles and internal control procedures, and is familiar with auditing. All further members of the audit committee also have accounting and auditing expertise and the composition of the committee complies with all independence requirements within the meaning of the Recommendation of the European Commission of 15 February 2005 on the role of non-executive directors or members of the supervisory boards of listed companies and management/supervisory board committees (2005/162/EC) as well as within the meaning of the recommendations of the GCGC.

### Remuneration committee

The Remuneration Committee advises on the employment contracts of the members of the Management Board and prepares resolutions of the Supervisory Board.

In the 2020 financial year, the Remuneration Committee consisted of the following members:

- Marija Korsch (Chair)
- Stefan Brendgen
- Dietmar P. Binkowska

The Chair of the Remuneration Committee is independent within the meaning of the recommendations of the Code.

## Management Board committees

The Management Board has not formed any committees. It performs the management function as a collegial body – but with individual departments allocated to individual members of the Management Board.

## Annual General Meeting and shareholders

The shareholders of Instone Real Estate Group AG assert their rights at the Annual General Meeting and exercise their voting rights. Each share in the Company grants one vote.

As a rule, the Annual General Meeting takes place annually within the first eight months of the financial year. By way of derogation from this, the Management Board may, with the approval of the Supervisory Board, decide to hold the 2021 Annual General Meeting during the financial year and also as a purely virtual Annual General Meeting without the physical presence of the shareholders and their representatives on the basis of the special regulation of Section 1(5) of the German law on company, cooperative, association, foundation and housing property law measures to combat the effects of the coronavirus pandemic. The agenda for the Annual General Meeting and the reports and documents required for the Annual General Meeting are published on the Company's website under [Instone AGM](#).

Fundamental decisions are made at the Annual General Meeting. These include resolutions on the appropriation of any profits, the discharge of the Management Board and Supervisory Boards, the election of Supervisory Board members and the selection of the auditor, amendments to the Articles of Association as well as capital measures. The Annual General Meeting offers the Management Board and the Supervisory Board the opportunity to liaise directly with the shareholders and discuss the further development of the Company.

Instone Real Estate Group AG provides its shareholders with a proxy who is bound to follow shareholders' instructions and who can also be contacted during the Annual General Meeting in order to allow shareholders to personally exercise their rights. The invitation to the Annual General Meeting explains how instructions can be issued prior to the Annual General Meeting. Shareholders also remain free to be represented at the Annual General Meeting by a proxy of their choice.



## Our company

---

### To our shareholders

---

### Sustainability report (unaudited)

---

### ► Combined management report

---

Foundations  
of the Group

---

Economic report

---

Risk and  
opportunities report

---

Outlook

---

Remuneration report

---

Takeover law disclosures

---

### ► Corporate governance statement (unaudited)

---

Other disclosures

---

### Consolidated financial statements

---

## 2020 Annual General Meeting

With the consent of the Supervisory Board, the Management Board made use of the option provided by the German law on company, cooperative, association, foundation and housing property law measures to combat the effects of the coronavirus pandemic with regard to the 2020 Annual General Meeting. The Annual General Meeting of Instone Real Estate Group AG took place on 9 June 2020 in Essen and was held as a virtual annual general meeting without the physical presence of the shareholders on the basis of the official regulations in force at that time to protect against the health risks associated with the SARS-CoV-2 coronavirus. The shareholders were able to follow the Annual General Meeting via a live stream and cast their votes by postal vote or via a proxy. The shareholders present at the meeting represented 63.90% of the registered capital. All agenda items were agreed with a large majority.

## Further aspects of corporate governance

### Diversity GRI 405-1

Instone Real Estate Group AG places great value on diversity, both with regard to its administrative bodies and its employees as a whole, and sees diversity as one of the company's strengths. Diversity is therefore an important element for Instone Real Estate Group AG for sustainable corporate success.

Given this, the Supervisory Board determined in 2018 and confirmed once again in the 2020 financial year that attention will continue to be paid to diversity with regard to the composition of the Management Board in the future. The Supervisory Board has also set a target for the proportion of women on the Management Board and a standard retirement age for Management Board members at the age of 65. In the interests of complementary cooperation within the Supervisory Board, the selection of candidates for the Supervisory Board should also be based on sufficient diversity with regard to different professional backgrounds, specialist knowledge and experience. The target for the proportion of women on the Supervisory Board is currently 20%.

According to the self-assessment of the Supervisory Board, the composition of the Supervisory Board and the Management Board as at 31 December 2020 complies with the described diversity concepts. The members of the Management Board have a range of different professional qualifications and, inter alia, many years of experience in international corporations. Dr Foruhar Madjlessi has been a member of the Management Board since 1 January 2019 and brings with him many years of international experience and specialist expertise in capital markets and corporate finance. Furthermore, none of the members of the Management Board has reached the age of 65, and one of the Management Board members has not yet reached the age of 50. The Supervisory Board continues to remain diverse as at 31 December 2020.



**Our company**

**To our shareholders**

**Sustainability report**  
(unaudited)

► **Combined management report**

Foundations of the Group

Economic report

Risk and opportunities report

Outlook

Remuneration report

Takeover law disclosures

► **Corporate governance statement** (unaudited)

Other disclosures

**Consolidated financial statements**

→ Above all, the Chairman of the audit committee meets the requirements for specialist knowledge and experience in the areas of accounting and auditing. The members of the Supervisory Board have experience, knowledge and skills of managing or supervising medium-sized or large companies, particularly in the areas of capital markets, real estate, management and supervision, and thus contribute to the diverse composition of the Supervisory Board. In addition, the Supervisory Board has one female member, so that the self-imposed target figure of 20% for the proportion of women as at 31 December 2020 was also achieved. None of the Supervisory Board members – all of whom are over 50 years of age – had reached the age of 70 when they were elected.

**Reportable securities and share ownership by the Management Board and Supervisory Board**

The members of the Management Board and Supervisory Board of Instone Real Estate Group AG, as well as persons closely related to them, are, in accordance with Article 19 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation), required to report transactions in Instone Real Estate Group AG shares or related financial instruments to the Company without delay and no later than three business days after the date of the transaction. The Company publishes the notifications pursuant to Article 19 (2) of the Market Abuse Regulation without delay and no later than three business days after the transaction. The reports can be found on the Company’s website under [Instone Managers’ Transactions](#).

**Compliance management system**

Compliance at Instone Real Estate is a significant part of successful and responsible corporate governance.

We are committed to ethical principles and valid legal norms. We have enshrined this in our compliance management system policy and employee code of conduct, which is available on our website under [Instone Code of Conduct](#). Furthermore, there are various guidelines, such as the Grant Policy, which sets out the legal framework and our internal guidelines for our employees. Our goal is to focus on compliance and find a positive as well as motivational approach to our

employees. The Code of Conduct is applicable throughout the Group and was introduced in all affiliated companies where we have direct or indirect controlling influence.

A controlling influence is normally assumed if there is a participation in more than 50% of the voting rights.

Our central compliance organisation sees itself as a key contributor to an integrity-led corporate governance and culture. It promotes a compliance culture and ensures that this is internalised among managers and employees.

The ultimate goal of the Group-wide compliance management system is to prevent breaches of applicable laws and internal policies, and to protect the Instone-Group and its employees from inappropriate and unlawful conduct. We have therefore implemented a compliance management system that identifies and then reduces risks, and ensures compliance within the Instone-Group. All activities are in accordance with the legal requirements and our guidelines and internal regulations. The Compliance Officer at Group level is responsible for Group-wide structuring, further development and implementation of the compliance management system and the implementation of the training courses. All compliance officers are responsible for conducting the quarterly meetings of the relevant compliance committee and overseeing the compliance management system in their company. All Compliance Officers are available to employees as contact persons for compliance issues. The effectiveness and appropriateness of the compliance system are reviewed at regular meetings of the compliance committee, and any follow-up needs are identified and carried out.

We regularly conduct compliance and data protection training that provides our employees with information about laws and codes of conduct. Participation in the training events is mandatory and is reviewed and documented. In the year under review, the topics related primarily to anti-corruption, data protection, and competition and price-fixing law. There is a compliance Section on the Instone Real Estate intranet site so that employees have direct, compact access to any material compliance information (including contact details for compliance, links and guidelines). Information on all current compliance topics is posted here. [GRI 205-2](#)



**Our company**

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**To our shareholders**

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**Sustainability report**  
(unaudited)

---

► **Combined management report**

---

Foundations of the Group

---

Economic report

---

Risk and opportunities report

---

Outlook

---

Remuneration report

---

Takeover law disclosures

---

► **Corporate governance statement** (unaudited)

---

Other disclosures

---

**Consolidated financial statements**

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Despite the best, wide-ranging prevention measures, companies may still experience infringements and breaches of duty. Our employees have their supervisors, compliance officers, a whistle-blower hotline and a digital whistle-blower portal at their disposal to report violations and suspicions of violations of rights, legislation and internal policies and regulations. Calls to the whistleblower hotline are received by an external law firm and, like the reports in the digital whistleblower portal, are passed on anonymously to the company.

[GRI 102-33](#)

We consistently follow all instructions within the scope of the legal options, pursue their clarification without compromise and impose sanctions appropriate to the offence and degree of blame. In addition, there were individual indications of possible compliance cases in the 2020 financial year. We have carefully investigated these suspicions regarding compliance cases and have responded to them. Within the scope of the ongoing development of the compliance management system, and when dealing with legal issues, the Management Board and compliance officer at the Group level can be given legal advice if required.

We also demand compliance with our high standards from our business partners and suppliers. In our Code of Conduct for contractors, they commit to refraining from any kind of corruption or acts that could be construed as such. We also expect and work to ensure that our business partners and suppliers respect these obligations, principles and values, and take all of the measures necessary to prevent and punish active and passive corruption.

No significant fines were imposed against Instone Real Estate in the 2020 reporting year due to non-compliance with laws and regulations in the social and economic sphere. [GRI 102-34; 419-1](#)

