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Corporate governance statement (unaudited)

In this section, Instone Real Estate 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 compliance management system, and the composition and working methods of the Management Board and Supervisory Board, as well as the Supervisory Board committees. [🔗 GRI 2-14](#)

Implementation of the GCGC

Corporate governance means the responsible management and control of companies, geared towards long-term value creation. The corporate governance and corporate culture of Instone Real Estate Group SE 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 GCGC as amended on 16 December 2019 and submitted their routine Declaration of Compliance in line with the recommendations of the GCGC in December 2021 under Section 161 AktG 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 the [🔗 Instone compliance statement](#).

Declaration of Compliance

The Management Board and Supervisory Board of Instone Real Estate Group SE (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 in December 2020, which was updated during the year in April 2021 due to the adoption of an updated remuneration system for the members of the Management Board on 23 April 2021.

The Management Board and Supervisory Board declare that, for the period between the submission of the declaration of conformity in December 2020 and the submission of the updated declaration of conformity in April 2021, the recommendations of the Government Commission on the German Corporate Governance Code in the version of 16 December 2019 last published in the official part of the Federal Gazette on 20 March 2020 ("GCGC") on the remuneration of the members of the Management Board in section G.I. (G.1, G.2, G.6, G.7, G.10 and G.11) and recommendation F.2 of the GCGC were not complied with.

The Management Board and Supervisory Board declare that since submitting the updated Declaration of Compliance in April 2021, they have complied with the recommendations of the GCGC, with the following exceptions:

In accordance with recommendation G.7 of the GCGC, the Supervisory Board is to define the performance criteria for all variable remuneration components for each Board member for the upcoming financial year. In addition to operational criteria, these are primarily to be based on strategic objectives. The corporate planning and forecast that the Supervisory Board uses to derive the relevant performance criteria for the Management Board are approved due to the improved planning accuracy at the beginning of the financial year. The Supervisory Board also sets the



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performance criteria for the variable remuneration components based on this at the beginning of the respective financial year. The Supervisory Board views this as appropriate in order to align the approved corporate planning with the performance criteria for the Management Board.

In accordance with recommendation G.10 sentence 2 of the GCGC, a member of the Management Board should only have variable long-term grant amounts after four years. The remuneration system for the Management Board and the employment contracts of the members of the Management Board deviate from this and provide for the granting of the variable long-term grant amounts after the end of a three-year performance period. This meets both the requirements of stock corporation law for long-term assessment bases for variable remuneration and the recommendations of various institutional consultants on voting rights. In the Supervisory Board's view, a longer deferment of the payment of variable long-term remuneration does not have any additional added value in comparison with the existing contractual provisions when it comes to incentivising the Management Board.

Against this backdrop, the Management Board and Supervisory Board do not intend to comply with the aforementioned recommendations G. 7 and G. 10 sentence 2 of the GCGC in future either.

Furthermore, recommendation F. 2 of the GCGC, which states that mandatory interim financial information should be made publicly available within 45 days of the end of the reporting period, has also not been complied with since the updated Declaration of Compliance was issued in April 2021 as the organisational requirements and resources for reporting within this deadline were not yet in place. However, as the necessary organisational conditions have now been established, the Company intends to comply with the recommendation in future and to publish mandatory financial information during the year within 45 days of the end of the period under review.

Essen, December 2021

The Management Board

The Supervisory Board

Corporate governance practices

The management of Instone Real Estate Group SE 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 provides Instone Group employees with orientation and assistance in their day-to-day work while at the same time containing binding requirements for the actions of all employees. Instone Real Estate Group SE is expressly committed to the values reflected in the Code of Conduct.

Working methods of the Management Board and Supervisory Board

As a Societas Europaea (SE) with its registered office in Essen, Germany, Instone Real Estate Group SE has a dual management system in line with its Articles of Association, consisting of a Management Board and a 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 SE exercise their rights at the Annual General Meeting.

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 the collaboration between the Management Board and the Supervisory Board, which go beyond the provisions of stock corporation law. [GRI 2-9](#)



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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 2021 financial year on 8 December 2021.

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 leadership of the Chair of the Management Board. Occasionally, individual members of the Management Board also participate by telephone or video conference, and in the past financial year board meetings were regularly held virtually 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.

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. [GRI 2-9](#)

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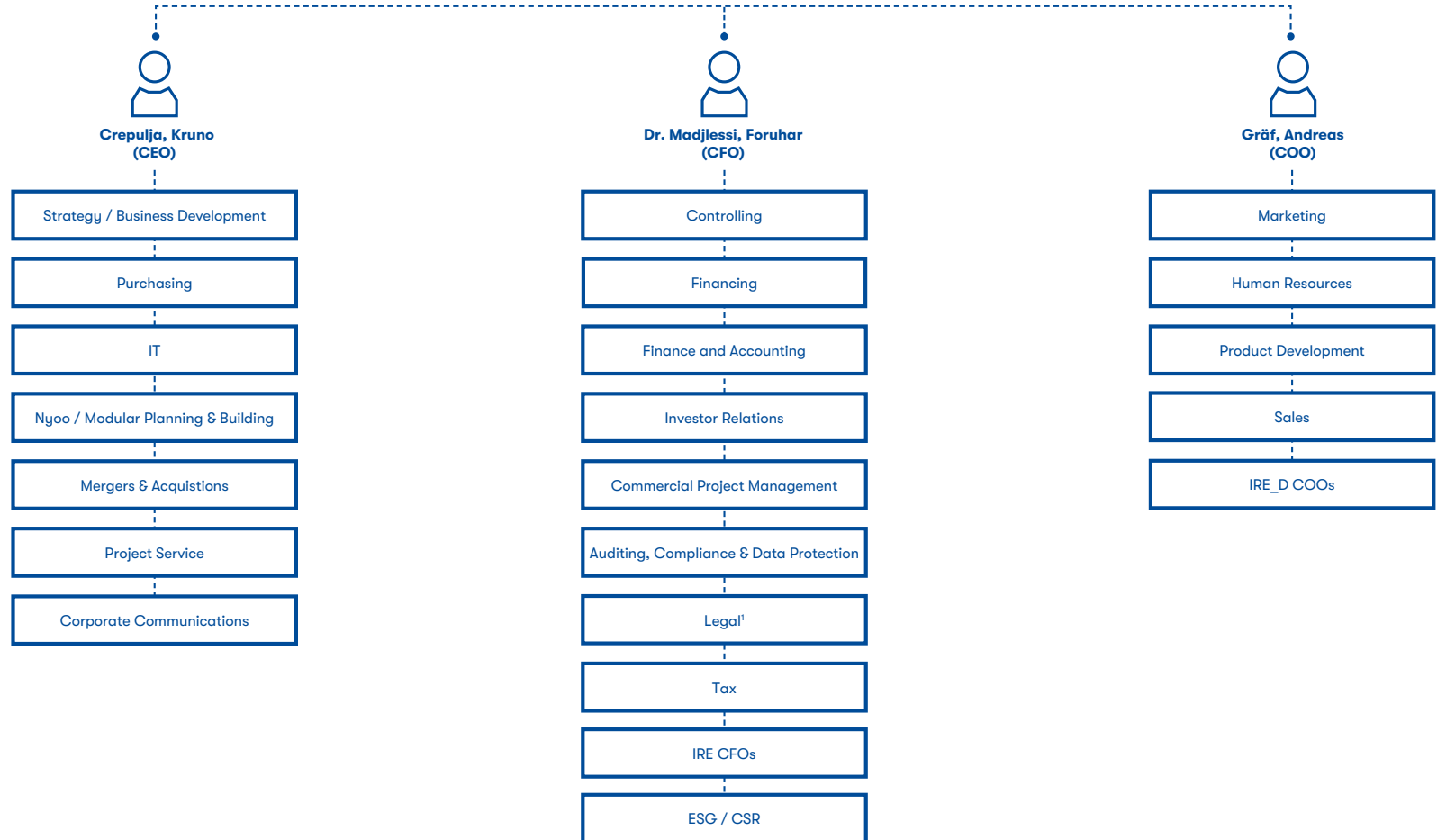
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Schedule of responsibilities of the management board of Instone Real Estate Group SE dated October 14, 2021



¹ including corporate and capital market law as well as support of the Supervisory Board



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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 14 October 2021 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 the Articles of Association, the Supervisory Board must hold at least two

meetings in six calendar months. In addition, it holds meetings as often and as soon as these are in the interests of the Company, and assesses the efficiency of its activities at regular intervals, most recently in the 2021 financial year. 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. In accordance with the requirements of stock-corporation law and 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 area of accounting and at least one other member of the Supervisory Board must have expertise in the area of 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 requirements of stock corporation law on the composition of the Supervisory Board and 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 in the Supervisory Board's proposals and the publication



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of these objectives and their implementation status in the corporate governance statement. In the 2021 financial year, the members of the Supervisory Board overall fulfilled the agreed competence profile. [GRI 2-10](#)

Target figures for the proportion of women

The German Stock Corporation Act (Aktiengesetz) obliges Instone Real Estate Group SE 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.

Target figure for the Supervisory Board

The Supervisory Board has set the target for the proportion of women on the Supervisory Board at its current level of 20%. Due to the departure of Ms Korsch from the Supervisory Board on 9 June 2021, the target in the period under review was temporarily not achieved until the effective legal appointment of Ms Jansen as a member of the Supervisory Board on 20 September 2021. Following the appointment of Ms Jansen, the proportion of women on the Supervisory Board is again 20%, meaning that the target has been met.

Target figure for the Management Board

For the Management Board of Instone Real Estate Group SE, the target proportion of women, as defined by the Supervisory Board, is currently 0%. This is due not least to the fact that the Supervisory Board, taking into account the existing circumstances, in particular the current appointment term of members and the current number of members of the Management Board, which is currently only three members, 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 qualifications and competence – irrespective of gender. The Company has met the targets during the period under review.

Both targets confirmed for the Management Board and the Supervisory Board most recently 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 targets.

Target figure for the first management level

As regards the proportion of women in the first management level below the Management Board, consisting of the members of the Management Board of Instone Real Estate Development GmbH and Nyoo Real Estate GmbH, the Management Board decided in December 2020 to raise the target figure to 25% (without taking into account dual mandates), after the target had previously been 0%. The proportion of women at the first management level was 25% as at 31 December 2021, meaning that the target was met.

Target figure for the second management level

In December 2020, the Management Board decided to set the target at 30% for the proportion of women in the second management level below the Management Board, consisting of branch managers, commercial managers, division heads and department heads of the Instone Group, after the target had previously been 25%. As at 31 December 2021, the proportion of women in the second management level was 23% (as of 31 December 2020: 19%), meaning that the target has not yet been achieved, but Instone Real Estate was able to make further progress in this area as planned. From 1 January 2022, the proportion of women in the second management level will already reach 26%.

The Management Board has set implementation deadlines of five years, ending in December 2025, for the achievement of the targets at the first and second management levels.

Promotion of executives

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 of and promotion to senior management positions in the Company and the underlying selection decisions will continue to be substantially



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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 people. The number of members is determined by the Supervisory Board. In the 2021 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 SE 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 to an expiring contract before an employment contract expires, 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 appointments 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 SE in accordance with Section 285 No. 10 of the German Commercial Code (HGB). [≡ page 227 f.](#)

Remuneration systems and remuneration report

The remuneration report for the 2021 financial year, including the auditor's report in accordance with Section 162 AktG, the applicable remuneration system pursuant to Section 87a (1) and (2) sentence 1 AktG and the most recent remuneration resolution pursuant to Section 113 AktG, are publicly available on the Instone Real Estate website at <https://ir.de.instone.de/websites/instone/English/5930/remuneration.html>. [🔗 GRI 2-19, 2-20](#)

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 SE, coordinates this with the Supervisory Board and ensures its implementation. [🔗 GRI 2-12, 2-13](#)

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 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 2-30, 3](#)

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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. In order to deal with conflicts of interest in the Supervisory Board and the Management Board, the respective Rules of Procedure for the Management Board and Supervisory Board also contain regulations that, in addition to an obligation to immediately disclose conflicts of interest, in the event of significant conflicts of interest in the Management Board, provide for the approval of the Supervisory Board and, in the event of conflicts of interest being identified in the Supervisory Board, a ban on participation and/or voting for the member in question. In the case of significant and non-temporary conflicts of interest, the member of the Supervisory Board concerned must resign from office. No conflicts of interest were identified in the Management Board or Supervisory Board in the year under review.

Transactions with the Company or their affiliated companies by members of the Supervisory Board and the Management Board and related parties also require the approval of the Supervisory Board's Audit Committee. The undertaking of ancillary activities outside the Company by members of the Management Board – in particular, the performance of supervisory board mandates and mandates in the comparable supervisory bodies of commercial enterprises – requires the approval of a Supervisory Board plenary session.

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. [GRI 2-25, 2-26](#)

Supervisory Board committees

In the 2021 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:

Nomination Committee

The Nomination Committee proposes suitable candidates to the Supervisory Board for its nominations to the Annual General Meeting and handles succession planning on the Supervisory Board.

Members of the Nomination Committee in the 2021 financial year were:

- Dietmar P. Binkowska (member and chair until 1 July 2021)
- Stefan Brendgen
- Dr Jochen Scharpe
- Thomas Hegel (member and chair since 1 July 2021)

The members of the Remuneration Committee are independent within the meaning of the recommendations of the GCGC.

Audit Committee

The Audit Committee is responsible, in particular, for monitoring the accounting process, the 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 Supervisory Board resolutions that relate to the annual financial statements and the consolidated financial statements. The Committee 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.



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The Audit Committee, instead of the Supervisory Board plenary session, decides on the agreements with the statutory auditor (in particular the appointment of the auditor, the determination of audit priorities and the fee agreement). The Audit Committee, instead of the full Supervisory Board plenary session, also decides on related-party transactions. 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 2-16](#)

The following members were members of the Audit Committee in financial year 2021:

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

Each member of the Audit Committee is independent and has expertise in the field of auditing and accounting based on his/her training or professional experience and is familiar with the sector in which the Company operates, meaning that the requirements of Section 107 (4) Sentence 3 in conjunction with Section 100 (5) of the German Stock Corporation Act (Aktiengesetz) are complied with. In addition, the Chair of the Committee has the particular knowledge and experience in the application of accounting principles and internal control procedures required by the GCGC, and is familiar with auditing.

Remuneration Committee

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

In the 2021 financial year, the Remuneration Committee consisted of the following members:

- Marija Korsch (member and chair until 9 June 2021)
- Stefan Brendgen
- Dietmar P. Binkowska (chair since 1 July 2021)
- Dr Jochen Scharpe (member since 1 July 2021)

The members of the Remuneration Committee are independent within the meaning of the recommendations of the GCGC.

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 SE 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 six months of the financial year. The Management Board may, with the approval of the Supervisory Board, decide to hold the Annual General Meeting before 31 August 2022 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 Measures in Company, Cooperative, Association, Foundation and Housing Property Law 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 at [Instone AGM](#).



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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 SE 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.

2021 Annual General Meeting

As in the previous year, the Management Board made use, with the consent of the Supervisory Board, of the option provided by the German Law on Measures in Company, Cooperative, Association, Foundation and Housing Property Law to Combat the Effects of the Coronavirus Pandemic for the 2021 Annual General Meeting. The Annual General Meeting of Instone Real Estate Group SE (at that time still Instone Real Estate Group AG) took place on 9 June 2021 in Essen and was held as a virtual annual general meeting without the physical presence of 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 82.31% of the registered capital. All agenda items were agreed with a large majority.

Diversity  GRI 405

Instone Real Estate Group SE 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. For Instone Real Estate Group SE, diversity is therefore an important element 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 at the age of 65 for Management Board members. 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 2021 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. The Supervisory Board continues to remain diverse as at 31 December 2021.

Above all, the Chair 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 possess the experience, knowledge and skills for 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 2021 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.



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Compliance

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 at a senior level in our compliance management system policy and employee code of conduct, which is available on our website at [Instone Code of Conduct](#). 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.

We also expect our partners, such as customers, suppliers and other contractual partners, to comply with certain standards, including in particular compliance with legal requirements and rules that we have set out in our Code of Conduct for contractors.

Our centralised compliance organisation acts as a key architect of our integrity-based corporate governance activities and corporate culture. It promotes a compliance culture and ensures that this is internalised among managers and employees. [GRI 2-27](#)

Compliance management system

The primary goal of our Group-wide compliance management system is to prevent and reveal violations of applicable law and Company guidelines, and to protect Instone Group and its employees from inappropriate and illegal activity. We have therefore implemented a compliance management system that identifies and then reduces risks, and ensures compliance within the Instone Group. To this end, we make use of various internal company guidelines and processes, for example, on anti-money laundering and business partner compliance, capital market compliance and corruption prevention, and on training and advising our employees. Other key pillars of our compliance management system are our whistleblower system and our Code of Conduct for our contractors.

Our Group Compliance Officer is responsible for the Group-wide structuring, development and implementation of our compliance management system and for delivering training courses. Further compliance officers are responsible for monitoring 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 systems of the respective companies are reviewed at regular meetings of the Compliance Committee, and any follow-up needs are identified and met. 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 Group level can receive legal advice if required.

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 for every Instone employee and is reviewed and documented. In the year under review, the proportion of successful training completed was more than 99%. In the year under review, the topics related primarily to anti-corruption, data protection, data security, and competition and cartel 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 issues is posted here. [GRI 205-2](#)

Whistleblower system

Despite the best wide-ranging prevention measures, violations of the law and breaches of duty may still occur. Violations or suspicions of a violation of laws, legislation and internal guidelines and regulations may be reported by employees, customers, contractors and other third parties by email, via a whistleblower hotline or via a digital external whistleblower portal. Calls to the whistleblower hotline are received by an external law firm and, like reports in the digital whistleblower portal, are passed on to Instone Real Estate anonymously at the request of the whistleblower. Our employees can also contact their superiors and compliance officers directly at any time in this regard. [GRI 2-16](#)

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We examine every report and follow it up consistently. In doing so, we abide by the following principles:

- the process is fair,
- anonymity is protected
- investigations are confidential, and
- processes are efficient and protected.

In the 2021 financial year, there were no reports of compliance violations at Instone Real Estate reported by employees or third parties via, for example, the whistleblower system. Notwithstanding this, Instone Real Estate carefully investigates suspected compliance cases and responds to them.

Prevention of money laundering and business partner compliance

An essential component of compliance at Instone is the careful selection of business partners, in particular to reduce the risk of corruption and fraud, and to prevent money laundering. Instone Real Estate has therefore taken special prevention measures to detect and take steps against such suspicions, including:

- due diligence of business partners for compliance risks,
- due diligence around suspicions of money laundering,
- checking of potential business partners for entries in sanctions lists, and
- verification of bank data and payment transactions for contractors.

Before each contract is concluded – for example, with contractors or buyers of our residential units – third-party due diligence must be carried out by Instone Real Estate. Instone Real Estate employees are obliged to first carefully identify each potential business partner by following company guidelines. The initial priority is for employees who conclude contracts with business partners, such as purchasing, project or sales managers, to be obliged to do this. To this end, Instone Real Estate has set up a formal due diligence and control process in which business partners are classified into risk groups. In-depth due diligence checks are carried out as soon as the possibility of an increased compliance risk or a money laundering risk is identified using predefined criteria. If this in-depth due diligence process confirms an increased compliance risk or a money laundering risk, a contract may only be concluded after being approved by the Compliance Officer.

Instone Real Estate and its employees also comply with the provisions of the German Anti-Money Laundering Act (GwG) in order to protect Instone Real Estate from damage (particularly with regard to its reputation). In the case of real estate transactions, the notaries involved are also obliged to perform identity checks and help prevent money laundering in the context of real estate transactions. If a suspicion of a money laundering risk is detected during the due diligence on a business partner, a more detailed examination of the business partner will be carried out. If the suspicion of a money laundering risk is confirmed, the Compliance Officer will decide on the further course of action and whether to make a report to the competent government agencies.

Instone Real Estate complies with the legal obligations to perform due diligence on new customers, suppliers and service providers as regards inclusion in sanctions lists. Similarly, due diligence is also performed at regular intervals on, for example, existing customers and suppliers with whom a longer cooperation exists.

Our employees are also obliged to perform due diligence on and release bank data, transfers and receipts of payments in order to prevent fraud through a company policy based on the principle of dual control.



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Code of Conduct for contractors

We also demand compliance with our high standards from our business partners and suppliers. As mentioned in the introduction, 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.

Capital market compliance

As a company listed in the Prime Standard, Instone Real Estate is subject to a large number of capital market law regulations which are, in particular, the result of regulations of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation), the Securities Trading Act (WpHG) and the Exchange Rules for the Frankfurt Stock Exchange. To comply with these obligations, Instone Real Estate continues to require its board members and employees to follow established codes of conduct which relate in particular to the following obligations:

- ban on insider trading and unlawful disclosure of inside information
- ad hoc publicity obligation
- ban on market manipulation
- reporting managers' own transactions

Instone Real Estate has also set up an Ad Hoc Committee that advises the Management Board and provides recommendations for action on the trading of any inside information. Employees are obliged to report potential insider information to the Ad Hoc Committee without delay and will be included on insider lists in accordance with statutory obligations if they become aware of inside information. Trading in Instone shares with the knowledge of inside information is prohibited. Employees are also requested not to directly or indirectly trade in Instone shares during closed periods within 30 days prior to the publication of the semi-annual or annual financial statements. A traffic light system is used on the Instone intranet to inform you of the start and end of these closed periods.

The members of the Management Board and Supervisory Board of Instone Real Estate Group SE, as well as other persons who perform management tasks at Instone Real Estate Group SE, and persons closely related to them, are, in accordance with Article 19 (1) of the Market Abuse Regulation, required to report transactions in Instone Real Estate Group SE 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](#).

Fines

No significant fines were imposed against Instone Real Estate in the 2021 reporting year due to non-compliance with laws and regulations in the social and economic sphere.

