

INSTONE REAL ESTATE GROUP SE

# REMUNERATION REPORT 2021

## Remuneration report ↗ 2-19, 2-20, 2-21

This remuneration report explains the remuneration systems and remuneration for the Management Board and Supervisory Board of Instone Real Estate Group SE in accordance with the legal requirements and the recommendations of the German Corporate Governance Code (GCGC) in the version adopted on 16 December 2019. It also takes into account the requirements of German Accounting Standard No. 17 (DRS) and the German Commercial Code (HGB).

In the 2021 financial year, with effect from 1 July 2021, the remuneration systems for the members of the Management Board and Supervisory Board were adapted to the new stock corporation law requirements under the Law on the Implementation of the Second Shareholders' Rights Directive (ARUG II) of 12 December 2019.

Against this background, the remuneration report explains both the new regulations regarding the remuneration of the Management Board in Section I which will apply from 1 July 2021, and the old regulations regarding the remuneration of the Management Board applicable until 30 June 2021 in Section II, insofar as they deviate from the new regulations. In the context of this remuneration report, the individual remuneration of the individual members of the Management Board are also detailed in Section III, and the remuneration system and remuneration of Supervisory Board members in the 2021 financial year are disclosed in Section IV. Section V also provides the legally required information on the vertical comparison. ↗ GRI 2-19, 2-20

### I. Remuneration system for the members of the Management Board of Instone Real Estate Group SE from 1 July 2021

The current remuneration system for the members of the Management Board of Instone Real Estate Group SE approved by the Supervisory Board during this financial year, is based on the remuneration system which entered into force in connection with the successful IPO of the Company and the first listing on the Frankfurt Stock Exchange on 15 February 2018, and was based on the employment contracts of the members of the Management Board until 30 June 2021. On 9 June 2021, the Annual General Meeting of the Company approved the remuneration system described under Section I, which will be in place from 1 July 2021, with 98.27% of votes cast in favour. The full remuneration system can be viewed at [↗https://ir.de.instone.de/websites/instonereal/English/5930/remuneration.html](https://ir.de.instone.de/websites/instonereal/English/5930/remuneration.html).

Once again under the new remuneration system, remuneration is geared towards sustainable and long-term corporate performance. Transparency and traceability of the remuneration system and the individual remuneration of the Management Board members are key components of good corporate governance at Instone Real Estate Group SE.

The remuneration system applies for a maximum period of four years for all newly concluded employment contracts with Management Board members and for contract extensions and amendments from 1 July 2021. Accordingly, the employment contracts of the members of the Management Board were re-drafted with effect from 1 July 2021 in accordance with the provisions and regulations of the new remuneration system. Remuneration claims prior to 1 July 2021, including those from variable remuneration, shall continue to be based on the respective underlying contractual provisions at that time.

The main components of the remuneration system are as follows:



TABLE 121

Remuneration component	Components	Weighting/description
<b>Non-performance-based emoluments</b>  (approx. 40% of the target remuneration)	Basic remuneration	Payable annually in 12 equal instalments at the end of each month
	Fringe benefits	Include, for example, use of a company car, premium for accident insurance and reimbursement of other expenses for Management Board activities
<b>Performance-based emoluments – short-term incentive (STI)</b>  (approx. 25% of the target remuneration)	Financial target: EAT (adjusted)	37.5% of the STI bonus base amount, measured by the economic success in the underlying financial year
	Financial target: Volume of sales contracts	37.5% of the STI bonus base amount, measured by the performance in the underlying financial year
	Strategy and sustainability targets (number: 2–4)	25% of the STI bonus base amount, measured on the basis of the target achievement in the underlying financial year
	Payout	Each year following the target approval by the Supervisory Board in the month following the audited annual financial statements
<b>Long-term performance-based emoluments – long-term incentive (LTI)</b>  (approx. 35% of the target remuneration)	Performance share plan (financial targets and non-financial ESG target)	Virtual share tranche paid out after the end of a three-year performance period on the basis of the achievement of targets specified in advance by the Supervisory Board and presented below
	Financial target: Relative TSR (Instone share price development including distributions)	20% of the LTI bonus base amount measured by comparing the total shareholder return for Instone (Instone share price performance including distributions) during the three-year performance period to the performance of the SDAX (performance index)
	Financial target: Earnings per share (EPS target)	50% of the LTI bonus base amount, measured by the performance of the adjusted earnings per share over the three-year performance period
	Non-financial ESG target	30% of the LTI bonus base amount, as measured by the target achievement during the three-year performance period
	Payout	At the end of a total of three years in euros in the month following the approval of the annual financial statements, for each tranche based on the performance of the Instone share price during the three-year performance period, including distributions (total shareholder return method)
<b>Caps/maximum remuneration</b>	STI cap	200% of the STI bonus base amount
	max. LTI payout factor	300% of the LTI target achievement
	LTI cap	300% of the LTI bonus base amount
	Maximum remuneration	€3.1 million for the CEO €2.35 million each for other members of the Management Board
<b>Share ownership guideline</b>	Minimum holding by Management Board members of Instone shares	Obligation to hold Instone shares to the equivalent of a non-performance-based basic salary (gross) throughout the entire term of the contract. The equivalent value is measured according to the purchase price of the shares. If the share ownership obligation has not been met at the start of the contract term, it must be achieved during the term of the contract through corresponding acquisitions.
<b>Malus/clawback regulations</b>		Retention and/or clawback of variable remuneration components in the event of violation of statutory obligations or obligations set out in the employment contract or internal codes of conduct

## A. Contribution of remuneration to the promotion of the business strategy and the long-term performance of the Company

The calculation of the remuneration is mainly based on the size and complexity of the Instone Group, its economic situation and financial position, and its success and future prospects. The respective tasks and the personal performance of the individual members of the Management Board are further key criteria for determining the remuneration. The remuneration system sets competitive remuneration by comparison nationally and internationally which creates added value for customers, employees, shareholders and other stakeholders by setting performance criteria based on long-term and sustainable company success in particular, and combining them with challenging objectives. The key objectives set by the Supervisory Board for variable remuneration are in line with the corporate strategy and ensure that the remuneration of the Management Board and long-term corporate performance are aligned with the business planning.

## B. Procedure to set and implement the remuneration of the Management Board and to review the remuneration system

Responsibility for creating the remuneration system and determining the specific total emoluments of the individual members of the Management Board and regularly reviewing the remuneration system lies with the Supervisory Board of Instone Real Estate Group SE. The Supervisory Board has set up a Remuneration Committee which is responsible, in particular, for providing advice on the employment contracts of Management Board members and preparing relevant resolutions, as well as preparing the setting of the objectives for the variable remuneration components and their assessment by the Supervisory Board. The Supervisory Board reviews the remuneration system at regular intervals on the basis of the preparations and recommendations of the Remuneration Committee. If the Supervisory Board establishes a need for action, it decides on the necessary changes and the remuneration system is again submitted to the Annual General Meeting for approval if it is of material significance.

The Supervisory Board may use external consultants to perform its tasks, which it must ensure are independent of the Management Board and Instone Real Estate Group SE, and has done so also for the preparation of the current

remuneration system. With regard to dealing with potential conflicts of interest in the Supervisory Board, the Rules of Procedure for the Supervisory Board contain the corresponding regulations which provide, among other things, for the disclosure to the Chair of the Supervisory Board of potential conflicts of interest, as well as a ban on participation and voting in the case of identified conflicts of interest, and which also apply to remuneration matters.

The Annual General Meeting shall pass a resolution on the remuneration system in the case of any significant change to the remuneration system, but at least every four years. If the Annual General Meeting has not approved the remuneration system, a revised remuneration system must be submitted for approval no later than the next ordinary Annual General Meeting.

## C. Setting and appropriateness of the remuneration

In line with the remuneration system, the Supervisory Board has set the amount of the target total remuneration and corresponding remuneration limits (caps) for each member of the Management Board. Remuneration is proportionate to the tasks and performance of the Management Board member and the position of the Instone Group, such that it does not exceed the usual remuneration without special grounds and is geared towards the long-term and sustainable performance of Instone Group. The appropriateness of the remuneration is reviewed regularly by the Supervisory Board. For this purpose, both external and internal comparative analyses are conducted.

### Consideration of employee remuneration and employment conditions as well as peer group comparison

Internal analysis was carried out in the form of a vertical comparison of the remuneration and employment conditions of the employees. The remuneration amounts of the members of the Management Board were set in relation to the remuneration levels of the senior management and the workforce as a whole. The delineation between these two employee groups was carried out by the Supervisory Board. Senior management consists of the Managing Directors of the subsidiaries; the total workforce consists of the full-time employees of Instone Group in Germany (including senior management). The results of the vertical comparison are taken into account in determining the remuneration system and future adjustments to the remuneration level of the Management Board, including in terms of their development over time.

The Supervisory Board also carried out an external comparison analysis of the remuneration levels on the basis of two peer groups (sector and growth) to develop the remuneration system and review the appropriateness of the remuneration conditions. The members of the sector group were selected on the basis of six criteria (company size; sector, i.e. direct competitors or companies in other industries with comparable characteristics, in particular, real estate; country; legal form; capital market orientation; and relevant labour market) under the premise of the greatest possible comparability with Instone Real Estate Group SE. Due to the significant growth of the Instone Group since the IPO, a second growth peer group has also been set up which is comparable with Instone Real Estate Group SE in terms of revenue growth rates, corporation size and region.

#### D. Remuneration components

The total remuneration of the individual members of the Management Board consists of various components. In terms of structure, the remuneration components are regulated in the same way for all members of the Management Board, and are estimates as the amount of the fringe benefits as part of the non-performance-based remuneration may vary in particular:

	TABLE 122
Target remuneration p.a.	100%
of which, <b>non-performance-based</b> emoluments	Approx. 40%
– of which, <b>performance-based</b> emoluments – <b>short-term (STI)</b>	Approx. 25%
– of which, <b>performance-based</b> emoluments – <b>long-term (LTI)</b>	Approx. 35%

The remuneration of the Management Board consists of non-performance-based salary and benefits in kind, performance-based (variable) emoluments and – for two members of the Management Board – pension commitments agreed before appointment to the Management Board, for which the allocations by the Company up to 2020 are expected to correspond to an annual retirement benefit from the age of 65 of between 3% and 5% of the current annual non-performance-based basic salary. Variable remuneration is determined on a multi-year assessment basis in order to create incentives for sustainable and long-term corporate development. The remuneration system explicitly stipulates

that any positive and negative developments are taken into account. The Supervisory Board also sets a maximum amount (cap) for each variable remuneration component. The remuneration of the Management Board is heavily based on performance, with a particular focus on long-term variable remuneration.

For example, the STI bonus is approx. 62.5% of non-performance-based emoluments when the target is fully achieved and approx. 125% of non-performance-based emoluments for maximum target achievement. Due to its even greater weighting, the LTI bonus amounts to approximately 87.5% of non-performance-based emoluments if the target is achieved in full and approximately 262.5% of non-performance-based emoluments for maximum target achievement.

This remuneration generally applies to all activities performed for the Company and for the companies affiliated with the Company in accordance with Sections 15 et seq. of the German Stock Corporation Act (Aktiengesetz). [GRI 2-21](#)

#### Non-performance-based emoluments

The members of Instone Real Estate Group SE's Management Board receive non-performance-related emoluments in the form of a fixed annual base salary (base remuneration) and fringe benefits. The fixed annual base salary is paid in twelve equal instalments at the end of a month, and for the last time for the full month in which the Management Board employment contract ends.

The members of the Management Board also receive non-performance-related fringe benefits. These include, for example, the use of a company car and the payment of premiums for accident insurance with standard services and are taken into account in the maximum remuneration of the Management Board.

#### Performance-based emoluments

The performance-based remuneration components consist of a variable remuneration element with a (one-year) short-term incentive (**STI**) and a variable remuneration element with a multi-year long-term incentive (**LTI**). Due

to the structure of the components, the share of the LTI outweighs the share of the STI in the target remuneration.

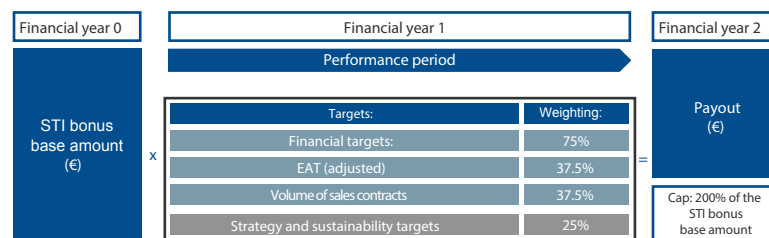
In the event that the Management Board member is not entitled to remuneration for the entire financial year underlying the calculation, a corresponding pro-rata reduction of these variable remuneration components will be made.

**One-year variable remuneration (short term incentive, STI)**

The one-year variable remuneration in the form of the STI is linked to

- the economic results or performance of the Instone Group in the underlying financial year (*financial targets*), and
- the *strategy and sustainability targets* set for the individual members of the Management Board.

**Variable compensation – STI**



The financial targets laid down in the STI, which account for a total of 75% of the STI bonus base amount, consist of the adjusted earnings after tax (**EAT (adjusted)**) and the **volume of sales contracts**, and are weighted identically at 37.5% each. Both the EAT (adjusted) and the volume of sales contracts are financial and corporate governance key performance indicators of the Instone Group, and are part of the company forecast. Both financial targets are therefore essential for the Management Board’s corporate strategy and the long-term performance of the Instone Group. From the Supervisory Board’s point of view, the measurement of short-term variable remuneration using these financial and corporate governance key performance indicators appears appropriate in order to ensure that the Management Board is incentivised to implement the corporate strategy. The earnings-based key performance indicator EAT (adjusted) is also a benchmark

for the dividend policy. The volume of sales contracts, which is a common key performance indicator for real estate, includes all sales-related transactions, such as notarised real estate purchase agreements, individual orders from customers and rental income. Both financial targets are derived from the business planning and forecast prepared by the Management Board and approved by the Supervisory Board and are uniformly re-set for the Management Board for each bonus year. EAT (adjusted) and volume of sales contracts are determined on the basis of the adjusted results of operations underlying the financial reporting of Instone Real Estate Group SE and explained in more detail in the annual report on [Annual Report page 122](#).

Linking the one-year variable remuneration with these Instone Group financial and corporate governance key performance indicators serves to ensure profitable and sustainable growth. In addition, by selecting these targets, incentives are set for the Management Board to act in accordance with the corporate strategy and the business planning approved by the Supervisory Board, or – in the best case – to outperform the forecast communicated to the capital market.

The **strategy and sustainability targets** relevant to the respective bonus year are determined individually by the Supervisory Board for each bonus year and for each member of the Management Board. The Supervisory Board generally defines two to four targets for each member of the Management Board which serve to implement the corporate strategy and the long-term corporate performance. The strategy and sustainability targets amount for 25% of the STI bonus. This allows the Supervisory Board to set central, although not necessarily financial, targets in the interests of the Company for the Management Board and to link them with the individual performance of the members of the Management Board. These objectives may include, for example, the promotion and development of the new product line nyoo (affordable housing) or the creation of subsidised housing in addition to environmental issues, such as CO<sub>2</sub> reduction, and customer and employee satisfaction, the value of investor sales or the optimisation of corporate financing. In order to ensure sufficient transparency and traceability for the achievement of the targets, the Supervisory Board shall ensure that targets are set in each case or criteria are set for the objectives, the achievement of which is set and measurable ideally using quantitative methods. The Supervisory Board may weight the strategy and sustainability targets set annually differently. Each individual target must be weighted with a minimum of at least 25% within the strategy and sustainability targets.

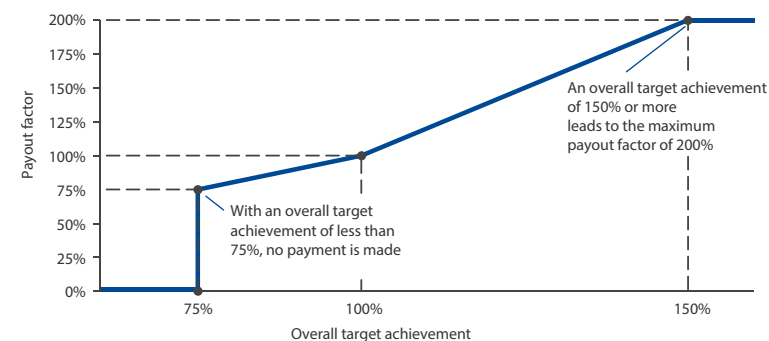


An STI bonus base amount in euros is agreed for each member of the Management Board in the relevant employment contract. The payment amount of this variable remuneration component is then determined according to the achievement of the objectives whose target and threshold achievement values for each performance period are determined by the Supervisory Board as follows:

- At the end of the respective bonus year (performance period), the Supervisory Board determines the achievement of the objectives for each individual target and transfers the achievement of the individual targets into an overall target achievement, taking into account the weighting of the respective individual targets. The maximum target achievement for each individual STI target is capped at 175%.
  
- The overall target achievement is allocated to an STI payout factor in accordance with a bonus curve (see below). If the overall target achievement is less than 75% (**lower target limit**), there is no entitlement to a payment of the STI bonus. Due to the ambitious targets set, above-average performance of Management Board members is rewarded at an accordingly high rate: If the overall target achievement is 150% or more (**upper target limit**), the STI payout factor is 200%. The STI payout factor for an overall target achievement of between 100% and 150% is calculated according to this proportionality. With a total target achievement of between 75% and 100%, the STI payout factor has a linear correlation to the overall target achievement.
  
- The STI payout factor is multiplied by the agreed STI bonus base amount and thus results in the payout amount of the STI bonus in euros for the performance period. The payout amount may not exceed 200% of the STI bonus base amount (**cap**). Payment is made in the month following the adoption of the audited annual financial statements of the Company.

The following is an example of the overall target achievement of the STI and the resulting STI payout factor:

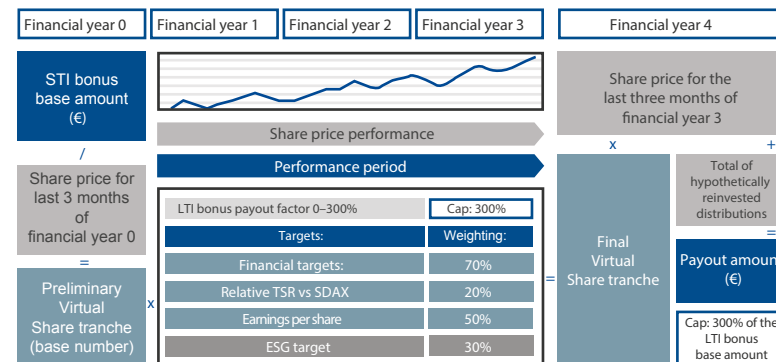
**Bonus curve – overall target achievement**



**Multi-year variable remuneration (long-term incentive, LTI)**

As a further component of variable remuneration, the members of the Management Board are also promised multi-year variable compensation in the form of an LTI bonus on the basis of a share-based virtual performance share plan. By linking it to the price of the Instone shares, it creates incentives for the Management Board to boost the long-term, sustainable performance of the Instone Group. In addition, it strengthens the balance of interests between shareholders and the Management Board.

**Variable compensation – LTI**



The amount of any LTI bonus depends on

- the amount of the LTI bonus base amount and the underlying average share price at the time of allocation of the virtual share tranche in financial year 0,
- the achievement of *financial targets* and a *non-financial ESG target* during a three-year performance period and
- the *share price performance* (taking into account distributions) of Instone Real Estate Group SE during the three-year performance period.

The assessment period for the multi-year variable remuneration therefore totals three years.

The financial targets set in the LTI are the performance of the adjusted earnings per share (*EPS*) (**EPS target**) and the total shareholder return (share price performance, taking into account distributions) of Instone Real Estate Group SE compared to the SDAX (**relative TSR**), which accounts for a total of 70% of the LTI bonus base amount and is weighted at 50% and 20% respectively. Both financial targets are derived from the business planning and forecast prepared by the Management Board and approved by the Supervisory Board and are re-defined for the Management Board uniformly for each three-year performance period.

The **EPS target** has set a target that will be used to incentivise the Management Board to increase the long-term profitability of the Company based on to the multi-year performance period. This creates an incentive to manage the Company profitably and in a profit-oriented manner and, at the same time, to generate long-term, sustainable growth in the interests of shareholders. The EPS target is set in the form of an aggregated target price over the performance period. The EPS target is determined on the basis of the adjusted results of operations underlying the financial reporting of Instone Real Estate Group SE and explained in more detail in the annual report on [page 122](#).

The **relative TSR** provides an incentive for the Management Board to achieve an above-average performance compared with other listed companies. The development of the share price also reflects the increase in value of the Company from a shareholder perspective. The Supervisory Board considers the SDAX to be an appropriate benchmark parameter as the Instone share is listed on the

SDAX, which is comprised of companies of a comparable size. In the event that the Instone share is no longer listed on the SDAX, the SDAX is significantly changed or other developments that no longer make a reference to the SDAX appear appropriate, the Supervisory Board may select another suitable equity index as the benchmark.

The Supervisory Board also sets a non-financial **ESG target** (*Environmental, Social and Governance target*) which accounts for 30% of the LTI bonus base amount. The ESG target, which is set uniformly for each annually granted LTI tranche for all members of the Management Board, aims to promote the sustainable development of the Instone Group in accordance with the Company's ESG strategy. The Supervisory Board will set a target here that is in the interests of the Company's stakeholders and is geared towards meeting the long-term, three-year target. Measurement of the target achievement should ideally be quantifiable.

An LTI bonus base amount in euros is agreed for each member of the Management Board in the relevant employment contract. This is divided by the average volume-weighted Instone share price for the last three months of the financial year before the start of the performance period in order to determine a preliminary tranche of virtual shares allocated to the respective Management Board member (**base number**). The payment amount of this variable remuneration component is then determined according to the achievement of the objectives for which the Supervisory Board sets the target or the threshold values to be achieved for each performance period and the share price performance of the Instone share, as follows:

- At the end of the three-year performance period, the Supervisory Board determined the achievement of each individual target.
- The target achievement for each individual target is assigned to an LTI payout factor according to a bonus curve (see below). Taking into account the respective weighting of the individual target, the individual LTI payout factors determined in this way form a total payout factor. Due to the ambitious targets set, above-average performance of Management Board members is rewarded at an accordingly high rate: If the target achievement of an individual target is 150% or more (**upper target limit**), the relevant LTI payout factor for this individual target is 300%. The LTI payout factor for a target achievement of between 100% and 150% is calculated according to

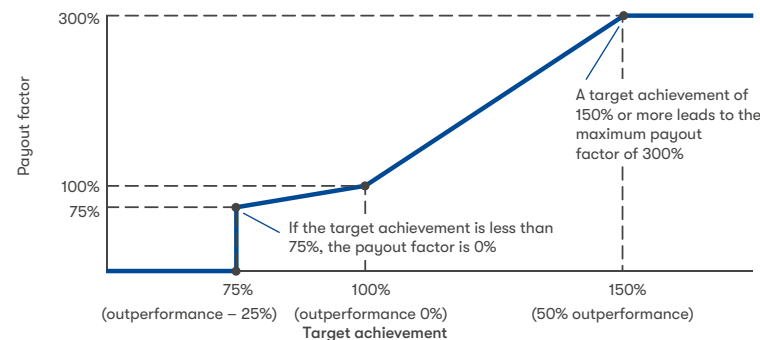


this proportionality. If the target achievement for an individual target is 100% or less, this corresponds (subject to and up to a **lower target limit** set by the Supervisory Board) to the LTI payout factor of the respective target achievement.

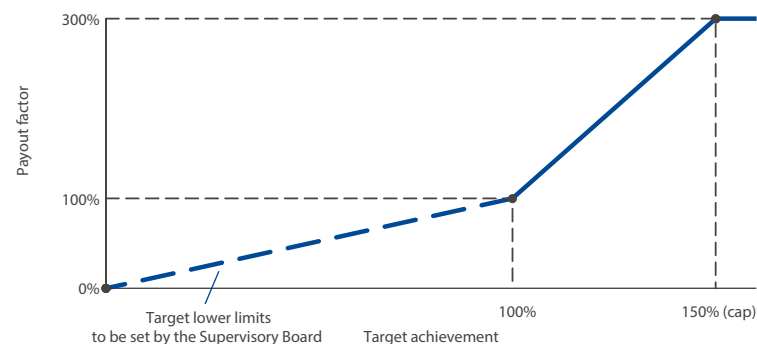
- In order to determine the relative TSR, we calculate the ratio of the final Instone share price compared to the initial price. For smoothing purposes, the initial and final prices are based on the volume-weighted average of the closing prices of the Instone share in XETRA trading (or a comparable successor system) of the Frankfurt Stock Exchange for the previous three months, and distributions, including dividend payments, are also taken into account at the final price, assuming the re-investment in Instone shares is made during the performance period. For the calculation of the performance of the SDAX (as the performance index), the initial value is the arithmetic mean of the closing values in the SDAX for the last three months before the start of the respective performance period and the final value is the arithmetic mean of the closing values of the SDAX for the last three months of the respective three-year performance period. The target achievement for the relative TSR and the proportional LTI payout factor is 100% if, at the end of the performance period, the performance of the share price (including distributions, including dividend payments and assuming re-investment in Instone shares during the performance period) of the Instone share matches the performance of the SDAX. If the target achievement for the relative TSR is less than 75%, this target is considered to have been missed and it is cancelled (see the bonus curve below).
  
- The base number of virtual shares is multiplied by the total payout factor and the average volume-weighted share price of the last three months before the end of the last financial year of the performance period, taking into account distributions, including dividend payments and assuming the re-investment in Instone shares during the performance period (total shareholder return approach) in order to put the Management Board member in the same position as a real shareholder. Payment is made after the end of the performance period in the month following the approval of the audited annual financial statements of the Company.

The bonus curves for the relative TSR target (first illustration) and for determining the other LTI payout factors (EPS target and ESG target) (second illustration) are shown below:

**Bonus curve – relative TSR**



**Bonus curve – LTI payout factors**



In the event of the extraordinary performance of the share price, the Supervisory Board is entitled to take into account a reasonable longer period before the end of the respective bonus year to determine the average closing price. If capital measures lead to a reduction or an increase in the number of Instone shares (e.g. equity splits or mergers of shares), this effect is taken into account when determining the target achievement by means of suitable calculations and the effect is neutralised.

The amount paid out of the LTI bonus is overall limited to (capped at) the amount equal to 300% of the LTI bonus base amount (LTI cap).

#### Share ownership guideline

In order to strengthen the long-term performance and boost the Management Board's investment in Instone Real Estate Group SE, the members of the Management Board are obliged, based on the share ownership guideline, to acquire shares in Instone Real Estate Group SE in the amount of a non-performance-based gross annual salary within a four-year build-up phase that starts with their appointment to the Management Board, and to hold shares in Instone Real Estate Group SE for the entire term of their Management Board employment contract. The equivalent value is measured according to the purchase price of the shares. Shares already held by a member of the Management Board count towards the required ownership quota.

If the respective member of the Management Board has acquired shares in the amount of a non-performance-based gross annual salary, this threshold may be undershot by up to 50% for a maximum period of six months. In this case, the Management Board member is obliged, within a period of six months, to top up the number of shares held to the amount of a non-performance-based gross annual salary.

### E. Establishing a maximum remuneration and temporary deviations from the remuneration system

#### Maximum remuneration

Pursuant to Section 87a (1) sentence 2 No. 1 AktG, the Supervisory Board has set a maximum limit for the total of all remuneration components, including fringe benefits and pension commitments. This amounted to €3.1 million for the CEO

and €2.35 million for the other members of the Management Board. These maximum remunerations set by the Supervisory Board take into account the findings from the peer group analysis and the strongly performance and growth-oriented structure of this Management Board remuneration system, and are intended to facilitate the market-oriented and company-specific performance of the Management Board remuneration in the interests of the Company.

#### Temporary deviations from the remuneration system

By way of exception, a deviation from the remuneration system is possible for the Supervisory Board in accordance with the statutory provisions of Section 87a (2) sentence 2 AktG if extraordinary circumstances make such a deviation necessary in the interests of the long-term well-being of the Company. This requires a Supervisory Board resolution that establishes the need for a deviation in a transparent and justified manner. The components of the remuneration system specifically affected by the deviation and the need for a deviation must also be explained to the shareholders in the remuneration report. In the case of the conditions described, a deviation may occur, particularly from the performance criteria for variable remuneration, the proportions of the components of the target remuneration and for extraordinary fringe benefits.

### F. The Company's ability to claw back variable remuneration components

The employment contracts of the members of the Management Board contain provisions that provide the Supervisory Board with the discretion to withhold (malus) or reclaim (clawback) variable remuneration components in part or in full. A prerequisite for these regulations to apply is an at least grossly negligent and serious breach of statutory or contractual service obligations or of internal codes of conduct. In these cases, the Supervisory Board may, at its due discretion, reduce variable remuneration components that have not yet been paid out and may withhold or claw back variable remuneration components already paid out.

The aforementioned claims become statute-barred at the end of two years following the end of the assessment period for the respective variable remuneration component.



## G. Remuneration-related legal transactions

### Terms and conditions for termination of remuneration-related legal transactions

The term of the Management Board employment contracts runs in parallel to the appointment period of the respective member of the Management Board as decided by the Supervisory Board. Each employment contract has a fixed term and therefore does not contain any ordinary right of termination. The right to extraordinary termination remains unaffected.

### Severance payments

If the employment contract of a member of the Management Board is terminated extraordinarily by the Company for good cause before the end of the term of the LTI bonus (a so-called “bad leaver case”), this will result in the expiry of all rights arising from the LTI bonus attributable to a period before the expiry of the respective term of three years.

If the employment contract of a member of the Management Board is terminated before the end of the term of the LTI bonus and no other prerequisites for a “bad leaver case” exist (a so-called “good leaver case”), the entitlement to the LTI bonus from ongoing performance periods and, where applicable, for pending performance periods continues to exist on a pro rata basis.

Special termination rights were agreed with the members of the Management Board in the event of a change of control. Members of the Management Board are entitled to a severance payment if there is a fundamental impairment of the commercial basis of the Company in addition to the change of control, i.e. if the resigning member of the Management Board has been removed from his/her role, a control and/or profit transfer agreement is concluded with the Company as a dependent company, or the legal form of the Company is changed or if the decision-making powers of the resigning member of the Management Board are significantly impaired without objective grounds. In addition, there are special termination rights for members of the Management Board in the event of a dismissal due to a vote of no confidence from the Annual General Meeting or in the event of a resignation for good cause.

If a special right of termination is exercised, the resigning member of the Management Board is entitled to a severance payment in the amount of 1.5 times the gross annual remuneration. This severance payment shall be reduced on a pro rata basis in the case of a residual term to the end of the employment contract of less than 1.5 years. No claim to a severance payment exists if the appointment ends due to dismissal for good cause within the meaning of Section 626 of the German Civil Code (BGB) or good cause within the meaning of Section 84 (3) AktG which is not based on a vote of no confidence by the Annual General Meeting.

Variable remuneration components are also paid in the event of early termination of Management Board activities in accordance with the originally agreed assessment bases (performance targets, performance periods, etc.) and due dates.

### Pension commitments

Two members of the Management Board still have a company pension plan in the form of individual, contractually agreed pension agreements which are valid after reaching the minimum pensionable age of 65 years. These two pension agreements were agreed in 2008 and 1987 respectively and thus significantly before the IPO and the appointment of the eligible Management Board members and will also continue to be executed.

The two members of the Management Board entitled to the pension provision are credited with the pension component for the duration of the pension commitment as part of this company pension provision model and in accordance with the underlying old agreements. This will be credited from the time they reach the age of 65 with a specific monthly payment amount, and will cumulatively reflect the respective pension entitlement under the company pension scheme. The respective amount of the monthly pension component is calculated on the basis of the monthly non-performance-based cash remuneration of the members of the Management Board entitled to the benefit, multiplied by an age factor, which maps an appropriate interest rate, and another fixed amount to be determined annually. The necessary provisions for the pension components and the resulting pension obligations are recalculated annually using actuarial methods. The amount of the credited pension components decreases with the progressive duration of the pension agreements with otherwise unchanged fixed non-performance-based emoluments. [GRI 201-3](#)

## II. Remuneration system to 30 June 2021 for the members of the Management Board of Instone Real Estate Group SE

As a result of the adjustment of the remuneration system for the members of the Management Board as at 1 July 2021, the old remuneration system regulations valid up to 30 June 2021 are described below where these old regulations deviate from the current remuneration system. The old regulations shall apply to the remuneration of the Management Board up to and including 30 June 2021.

### Performance-based emoluments

The performance-based remuneration components consist of a variable remuneration element with a (one-year) short-term incentive (STI) and a variable remuneration element with a multi-year, long-term incentive (LTI).

### One-year variable compensation (Short-term incentive, STI)

Short-term variable remuneration in the form of an STI is based on the economic performance or productivity of the Instone Group in the underlying financial year and the personal targets set for the individual members of the Management Board. The total amount of this variable remuneration component is determined according to the achievement of the objectives for the individual components described below and the following weighting:

	TABLE 123
Adjusted earnings before tax (EBT) with a weighting of	52.8%
Adjusted ROCE <sup>1</sup> with a weighting of	27.2%
Personal targets with a weighting of	20.0%

<sup>1</sup> Adjusted return on capital employed (ROCE) = adjusted EBIT in relation to a two-year average of equity plus net debt.

If the targets derived from the business plan prepared by the Management Board for the financial year and approved by the Supervisory Board are fully achieved, the target achievement is 100%. The achievements of the weighted targets (adjusted EBT, adjusted ROCE and personal targets) are added together to give the overall target achievement.

The target figures are derived from the annual budget and are determined by the Supervisory Board. At the end of the respective bonus year, which in the present case was most recently the 2021 financial year, the Supervisory Board determines whether the personal and company-related targets have been achieved. The amount is paid in the month following the audited annual financial statements. If the target achievement is less than 80%, the targets are considered to have been missed and there is no entitlement to the variable remuneration component (target lower limit). The one-year variable remuneration is limited in its total amount to the amount corresponding to a target achievement of 150% (target upper limit).

If the Management Board member is not entitled to remuneration for the entire financial year underlying the calculation, a corresponding pro rata reduction of this variable remuneration component will be made. In accordance with this regulation, this variable remuneration component will be reduced on a pro rata basis, i.e. halved, due to the adjustment of the Management Board contracts to the new remuneration system from 1 July 2021.

### Multi-year variable remuneration

As a further component of variable remuneration, the members of the Management Board are also promised multi-year variable compensation in the form of an LTI bonus.

Any LTI bonus depends on the achievement of corporate goals during the bonus year. The assessment bases used are the projected and actual values specified for adjusted earnings before tax (EBT). To determine the targets achieved, the arithmetic mean of the projected EBT figure for the bonus year and the two preceding calendar years is compared with the arithmetic mean of the actual EBT of the bonus year and the two preceding calendar years.

The contractually agreed base amount – an individually determined starting amount for each member of the Board of Management which is used as the basis for the calculation – is multiplied by the target achievement that has been calculated. If the target achievement is less than 80% in the bonus year, the targets are considered to have been missed and there is no entitlement to an LTI bonus.



Any LTI bonus is limited to the amount corresponding to a target achievement of 150% in the bonus year (**cap 1**).

The multiplied base amount gives the value which is then divided by the average closing prices of Instone Real Estate shares for the preceding 20 trading days before the end of the relevant bonus year. This is then used to calculate the number of virtual shares which are relevant to the bonus year.

The virtual shares used annually to calculate the bonus year have a term of three years and are only paid out at the end of the respective term at the average closing price of Instone Real Estate shares over the last 20 trading days of the respective term, as determined at that time, plus any dividend that may have been distributed.

The payout amount at the end of the three-year term is capped per virtual share to an amount corresponding to 200% of the figure determined for the respective bonus year (**cap 2**).

### III. Remuneration of the Management Board members in the 2021 financial year

The following part of the remuneration report discloses the specific application of the remuneration system to the members of the Management Board and the remuneration of the individual members of the Management Board in the 2021 financial year.

#### Total remuneration

The total remuneration granted and owed for the members of the Management Board for the 2021 financial year within the meaning of Section 162 (1) sentence 1 AktG amounted to €1,922 thousand. In accordance with the explanatory memorandum in Section 162 (1) AktG, the remuneration (inflows) granted and owed must be indicated as amounts that became due in the period under review and have already been paid to the individual member of the Management Board or the payment due that has not yet been made. The following overview shows the total remuneration according to these principles, broken down by remuneration component and individualised for the members of the Management Board for the 2021 financial year and the previous year.

Remuneration pursuant to Section 162 (1) sentence 1 AktG

TABLE 12<sup>4</sup>

	Kruno Crepulja		Dr Foruhar Madjlessi		Andreas Gräf	
	CEO		CFO		COO	
In thousands of euros	2021	2020	2021	2020	2021	2020
Non-performance-based emoluments	490	450	375	360	360	300
Fringe benefits <sup>1</sup>	25	26	9	16	11	16
Short-term variable remuneration (STI)	201	361	242	434	209	375
Long-term variable remuneration (LTI) <sup>2</sup>	0	0	0	0	0	0
<b>Total</b>	<b>716</b>	<b>837</b>	<b>626</b>	<b>810</b>	<b>580</b>	<b>691</b>
Maximum remuneration <sup>3</sup>	3,100	n/a	2,350	n/a	2,350	n/a

<sup>1</sup>Excluding pension expenses. These are shown separately below.

<sup>2</sup>For the first time, the long-term variable remuneration (2018-2022 LTI) will be paid out in the 2022 financial year after the expiry of the relevant vesting period that runs from 1 January 2019 up to and including 31 December 2021.

<sup>3</sup>An absolute maximum remuneration pursuant to Section 87a (1) sentence 2 No. 1 AktG was set in the remuneration system for the first time from 1 July 2021.

The maximum remuneration set by the Supervisory Board pursuant to Section 87a (1) sentence 2 No. 1 AktG for the members of the Management Board was therefore not exceeded in the year under review. There were no claw-backs or retentions of variable remuneration nor any deviations from the remuneration system.

In the year under review, no advances were paid to members of the Management Board and no loans were made. In the 2021 financial year, the members of the Management Board did not receive benefits from third parties with regard to their work on the Management Board, nor have benefits been promised to them.

#### One-year variable remuneration (short term incentive, STI)

#### 2020 STI – paid out in 2021

The following table shows the weighting, agreed target values and actual value (insofar as these can both be quantified), the target achievement derived from this, the upper target limits (where applicable) and the corresponding STI bonus



in euros for the STI targets (i) adjusted earnings before tax (EBT), (ii) adjusted ROCE and (iii) personal targets (set in accordance with the remuneration system up to and including 30 June 2021) for the short-term variable remuneration granted and owed for the 2021 financial year, i.e. the STI earned for the 2020 financial year and paid out in April 2021.

**STI 2020 financial year**

TABLE 125

Management Board member	Target	Weighting	STI bonus base amount	Targets set for the 2020 financial year		Information on target achievement				STI bonus
				Value	%	Upper target limit <sup>1</sup>		Target achievement		
		%	In thousands of euros	Value	%	Value	%	Value	%	In thousands of euros
Kruno Crepulja										
	<b>STI</b>									
CEO	Adjusted earnings before tax (EBT)	52.8		€105 million	100	-	-	€59.4 million	56.64	
	Adjusted ROCE	27.2		13.47%	100	-	-	10.26%	76.15	
	Personal targets <sup>2</sup>	20		n/a	100	-	-	n/a	150	
	<b>Total</b>	<b>100</b>	<b>250</b>	<b>0</b>	<b>100</b>	<b>€375 thousand</b>	<b>150</b>	<b>0</b>	<b>80.57</b>	<b>201.4</b>
Dr Foruhar Madjlessi										
	<b>STI</b>									
CFO	Adjusted earnings before tax (EBT)	52.8		€105 million	100	-	-	€59.4 million	56.64	
	Adjusted ROCE	27.2		13.47%	100	-	-	10.26%	76.15	
	Personal targets <sup>2</sup>	20		n/a	100	-	-	n/a	150	
	<b>Total</b>	<b>100</b>	<b>300</b>	<b>0</b>	<b>100</b>	<b>€450 thousand</b>	<b>150</b>	<b>0</b>	<b>80.57</b>	<b>241.7</b>
Andreas Gräf										
	<b>STI</b>									
COO	Adjusted earnings before tax (EBT)	52.8		€105 million	100	-	-	€59.4 million	56.64	
	Adjusted ROCE	27.2		13.47%	100	-	-	10.26%	76.15	
	Personal targets <sup>2</sup>	20		n/a	100	-	-	n/a	150	
	<b>Total</b>	<b>100</b>	<b>260</b>	<b>0</b>	<b>100</b>	<b>€390 thousand</b>	<b>150</b>	<b>0</b>	<b>80.57</b>	<b>209.4</b>

<sup>1</sup> Upper and lower target limits for the STI will not exist at individual target level, but only when the overall assessment of the target achievement has been made following the accumulation of the target achievement on the basis of the individual targets.

<sup>2</sup> The achievement of the objectives under the personal targets defined both quantitatively and qualitatively was assessed by way of an overall assessment and is therefore not presented individually for the defined targets (n/a).

### 2021 STI – paid out in 2022

Following the Annual General Meeting resolution to update the remuneration system, the Supervisory Board has agreed with the Management Board changes to the existing Management Board employment contracts, in particular to the variable remuneration of the Management Board in order to adapt the Management Board employment contracts with effect from 1 July 2021 to the new Management Board remuneration system rules. As a result, for this 2021 financial year, insofar as variable remuneration claims have arisen up to and including 30 June 2021, these will be based on the old provisions of the remuneration system until 30 June 2021 whereas variable compensation claims that arise from 1 July 2021 will be based on the new remuneration system regulations valid from 1 July 2021. Against this backdrop, payments of the STI bonus and the LTI bonus for the 2021 bonus year will be reduced on a pro rata basis, i.e. halved, under the remuneration systems up to and including 30 June 2021, and from 1 July 2021 respectively.

For this reason, both the STI targets based on (i) adjusted earnings before tax (EBT), (ii) adjusted ROCE and (iii) personal targets (set in accordance with the remuneration system up to and including 30 June 2021) and the STI targets based on (i) EAT (adjusted), (ii) volume of sales contracts and (iii) strategy and sustainability targets (set in accordance with the remuneration system from 1 July 2021) are relevant for assessing the STI bonus in the 2021 financial year.

All financial STI targets, including the key targets for EAT (adjusted) and volume of sales contracts from 1 July 2021 under the new remuneration system, were derived from the plan approved in February 2021. In particular, the Supervisory Board did not update the financial targets under the remuneration system from 1 July 2021 at the time the financial targets were set on 20 July 2021. For each member of the Management Board, the Supervisory Board has also set three personal targets which have been identically adopted and uniformly assessed as strategy and sustainability targets for the current performance period under the remuneration system running from 1 July 2021.

For the 2021 financial year (performance period or bonus year), the Supervisory Board assessed the target achievement for each of the aforementioned individual targets on 2 February and 14 March 2022, and transferred or added to a total target achievement in accordance with the conditions of the two remuneration systems, taking into account the weighting of the respective individual targets, resulting in the overall target achievement.

The table shows the weighting, the agreed target values and the actual value (insofar as these can both be quantified), the target achievement derived from this, the upper target limits and the payout factors (where applicable) as well as the corresponding STI bonus in euros for the members of the Management Board during the 2021 financial year. The 2021 STI will be paid out in April 2022.

## STI 2021 financial year – payout in 2022

TABLE 126

Management Board member	Target	Weighting	STI bonus base amount	Targets set for the 2021 financial year		Information on target achievement				STI bonus	
				Value	%	Target upper limit	Target achievement	Payout factor (%)	In thousands of euros		
		%	In thousands of euros <sup>1</sup>	Value	%	Value	%	Value	%	Payout factor (%)	In thousands of euros
Kruno Crepulja	<b>STI (remuneration system up to 30/06/2021)<sup>2</sup></b>										
CEO	Adjusted earnings before tax (EBT)	52.8	€134.7 million		100			€136.5 million	101.3		
	Adjusted ROCE	27.2	18.3%		100			22.0%	119.8		
	Personal targets <sup>3</sup>	20.0	n/a		100			n/a	140.0		
	Total (for the period up to 30 June based on a pro-rata reduction of the STI bonus)	100.0	125		100	€187.5 thousand	150		114.1	114.1	142.6
	<b>STI (remuneration system from 01/07/2021)</b>										
	EAT (adjusted)	37.5	€95.2 million		100	€166.3million	175	€96.9 million	101.8	103.6	
	Volume of sales contracts	37.5	€1,043.9 million		100	€1,827 million	175	€1,140.1 million	109.2	118.4	
	Strategy and sustainability targets <sup>3</sup>	25.0	n/a		100	n/a	175	n/a	140.0	180.0	
	Total (for the period from 1 July based on a pro-rata reduction of the STI bonus)	100.0	162.5		100	€325 thousand	150		114.1	128.3	208.4
	<b>Total STI for the 2021 financial year</b>		287.5								<b>351.0</b>



## STI 2021 financial year – payout in 2022

TABLE 126

Management Board member	Target	Weighting	STI bonus base amount	Targets set for the 2021 financial year		Information on target achievement				STI bonus	
				Value	%	Target upper limit	Target achievement		Payout factor (%)	In thousands of euros	
		%	In thousands of euros <sup>1</sup>	Value	%	Value	%	Value	%		
Dr Foruhar Madjlessi	<b>STI (remuneration system up to 30/06/2021)<sup>2</sup></b>										
CFO	Adjusted earnings before tax (EBT)	52.8	€134.7 million		100			€136.5 million	101.3		
	Adjusted ROCE	27.2	18.3%		100			22.0%	119.8		
	Personal targets <sup>3</sup>	20.0	n/a		100			n/a	140.0		
	Total (for the period up to 30 June based on a pro-rata reduction of the STI bonus)	100.0	150		100	€225 thousand	150		114.1	114.1	171.1
	<b>STI (remuneration system from 01/07/2021)</b>										
	EAT (adjusted)	37.5	€95.2 million		100	€166.3 million	175	€100.4 million	101.8	103.6	
	Volume of sales contracts	37.5	€1,043.9 million		100	€1,827 million	175	€1,140.1 million	109.2	118.4	
	Strategy and sustainability targets <sup>3</sup>	25.0	n/a		100	n/a	175	n/a	140.0	180.0	
	Total (for the period from 1 July based on a pro-rata reduction of the STI bonus)	100.0	120		100	€240 thousand	150		114.1	128.3	144.9
	<b>Total STI for the 2021 financial year</b>		270								<b>316.0</b>

## STI 2021 financial year – payout in 2022

TABLE 126

Management Board member	Target	Weighting	STI bonus base amount	Targets set for the 2021 financial year	Information on target achievement					STI bonus	
					Target upper limit		Target achievement			Payout factor (%)	In thousands of euros
					%	Value	%	Value	%		
Andreas Gräf	<b>STI (remuneration system up to 30/06/2021)<sup>2</sup></b>		In thousands of euros <sup>1</sup>	Value	%	Value	%	Value	%		
COO	Adjusted earnings before tax (EBT)	52.8	€134.7 million	100		€136.5 million	101.3				
	Adjusted ROCE	27.2	18.3%	100		22.0%	119.8				
	Personal targets <sup>3</sup>	20.0	n/a	100		n/a	140.0				
	Total (for the period up to 30 June based on a pro-rata reduction of the STI bonus)	100.0	130	100	€195 thousand	150	114.1			114.1	148.3
	<b>STI (remuneration system from 01/07/2021)</b>										
	EAT (adjusted)	37.5	€95.2 million	100	€166.3 million	175	€96.9 million	101.8		103.6	
	Volume of sales contracts	37.5	€1,043.9 million	100	€1,827 million	175	€1,140.1 million	109.2		118.4	
	Strategy and sustainability targets <sup>3</sup>	25.0	n/a	100	n/a	175	n/a	140.0		180.0	
	Total (for the period from 1 July based on a pro-rata reduction of the STI bonus)	100.0	125	100	€250 thousand	150	114.1			128.3	160.3
	<b>Total STI for the 2021 financial year</b>		255								308.6

<sup>1</sup>The respective STI bonus base amounts and the STI bonuses achieved in euros already take into account the corresponding pro-rata reductions (50%) resulting from the updating of the remuneration system from 1 July 2021.

<sup>2</sup>Lower and upper target limits for the remuneration system STI will not exist at individual target level until 30 June 2021, but only when the overall assessment of the target achievement has been made following the accumulation of the target achievement based on the individual targets.

<sup>3</sup>The achievement of the objectives under the personal targets and strategy and sustainability targets defined both quantitatively and qualitatively was assessed by way of an overall assessment and is therefore not presented individually for the defined targets.

### Multi-year variable remuneration (long-term incentive, LTI)

#### LTI 2022–2024 (new)

In accordance with the conditions of the Management Board employment contracts updated with effect from 1 July 2021, the preliminary tranche of virtual shares (base number) presented in the Table below was allocated at the end of the 2021 financial year to the members of the Management Board based on the parameters presented below for the performance period from 1 January 2022 up to and including 31 December 2024 (**LTI 2022–2024 (new)**).

For the 2022–2024 LTI (new), the Supervisory Board set a CAGR of 5.5% p.a. as a target value for the EPS target for a 100% target achievement. For the non-financial ESG target, target achievement is dependent on the Sustainalytics Risk Rating score for the Real Estate sector, whereby an upper target limit of 150% has been set with a Risk Rating score of 5 or less and a lower target limit (50%) has been set with a Risk Rating score of 25 or more. The upper and lower target limits of the relative TSR target met the requirements of the remuneration system from 1 July 2021 onwards (see section I. D. of this remuneration report).

The target achievement will be set and assessed and the LTI 2022–2024 (new) paid in the 2025 financial year after the LTI 2022–2024 (new) performance period has ended.

#### LTI 2021–2024 (old)

In accordance with the conditions of the Management Board employment contracts valid up to and including 30 June 2021, the base number of virtual shares shown in the table below was allocated to the members of the Management Board on the basis of the parameters presented below for the 2021 bonus year with a vesting period from 1 January 2022 up to and including 31 December 2024 **LTI 2021–2024 (old)**.

For the 2021–2024 LTI (old), targets achieved were determined by the Supervisory Board using the arithmetic mean of the EBT target from the 2021 bonus year and the two previous years on 14 March 2022.

The 2021–2024 LTI (old) will be paid in January 2025 after the expiry of the vesting period on 31 December 2024.

The relevant LTI bonus base amount, the allocation price based on the average share price for the last three months of the 2021 financial year LTI 2022–2024 (new) or the last 20 trading days before the end of the bonus year LTI 2021–2024 (old), the preliminary virtual share tranche (base number) and the respective caps 1 and 2 can be summarised as follows:

#### Long-term variable remuneration (LTI)

TABLE 127

Tranche	Kruno Crepulja		Dr Foruhar Madjlessi		Andreas Gräf	
	CEO		CFO		COO	
	LTI 2022–2024 (new)	LTI 2021–2024 (old)	LTI 2022–2024 (new)	LTI 2021–2024 (old)	LTI 2022–2024 (new)	LTI 2021–2024 (old)
LTI bonus base amount <sup>1</sup>	227.5	150.0	168.0	125.0	175.0	90.0
Allocation price (€)	20.70	17.04	20.70	17.04	20.70	17.04
Base number (in units)	10,990	8,655	7,669	7,212	8,454	5,193
<b>Base number (total)</b>	<b>19,645</b>		<b>14,882</b>		<b>13,647</b>	
Cap 1	n/a	225	n/a	187.5	n/a	135
Cap 2	n/a	589.9	n/a	491.6	n/a	353.9
LTI cap	683	n/a	504	n/a	525	n/a

<sup>1</sup> The respective LTI bonus base amounts already take into account the corresponding pro rata reductions (50%) resulting from the updating of the remuneration system from 1 July 2021.

### LTI tranches granted

The LTI tranches granted as at 31 December 2021 (each granted under the remuneration system operating until 30 June 2021) are broken down by the respective members of the Management Board in the following Table:

LTI tranches						TABLE 128
In thousands of euros		Base number of virtual shares (in units)	Payout price (in euros)	LTI bonus (in thousands of euros)	Payout	
<b>Kruno Crepulja, CEO</b>	2018-2021 LTI	25,779.0	17.30	446.0	January 2022	
	2019-2022 LTI	21,781.2	n/a	n/a	January 2023	
	2020-2023 LTI	14,861.2	n/a	n/a	January 2024	
<b>Dr Foruhar Madjlessi, CFO<sup>1</sup></b>	2019-2022 LTI	18,151.0	n/a	n/a	January 2023	
	2020-2023 LTI	12,384.3	n/a	n/a	January 2024	
<b>Andreas Gräf, COO</b>	2018-2021 LTI	15,467.4	17.30	267.6	January 2022	
	2019-2022 LTI	13,068.7	n/a	n/a	January 2023	
	2020-2023 LTI	8,916.7	n/a	n/a	January 2024	

<sup>1</sup> Member of the Management Board since 1 January 2019.

### Pension commitments

The following overview shows the contributions (allocations) to the pension plan attributed to the individual Management Board members and the corresponding itemised cash values under the IFRS and HGB.

Pension commitments		TABLE 129		
In thousands of euros		2021	Allocations	2020
Kruno Crepulja (CEO)	German Commercial Code (HGB)	373.3	86.4	286.9
	IFRS	403.6	23.7	379.9
Andreas Gräf (COO)	German Commercial Code (HGB)	340.5	79.0	261.5
	IFRS	364.3	31.9	332.4
<b>German Commercial Code (HGB)</b>		<b>713.8</b>	<b>165.4</b>	<b>548.4</b>
<b>IFRS</b>		<b>767.9</b>	<b>55.6</b>	<b>712.3</b>

The pension obligations and the corresponding cash values in individualised form according to IFRS and HGB to former members of the Management Board are shown in the following overview.

Pension commitments for former members of the Management Board		TABLE 130		
In thousands of euros		2021	Allocations	2020
Pension commitments for former members of the Management Board	German Commercial Code (HGB)	1,417.6	198.6	1,219.0
	IFRS	1,501.7	4.9	1,496.8

### Share ownership guideline

Since 1 July 2021, the members of the Management Board have been obliged to acquire shares in Instone Real Estate Group SE in the amount of a non-performance-based gross annual salary and to hold them for the entire term of their Management Board employment contract. This obligation was met by the members of the Management Board in the 2021 financial year. The following Table shows the shareholdings of the members of the Management Board reported to the Company as at 31 December 2021:

#### Shareholding

	Number of shares	Participation in the registered capital (%)
Kruno Crepulja (CEO)	105,775	0.225
Dr Foruhar Madjlessi (CFO)	27,668	0.059
Andreas Gräf (COO)	50,319	0.107

### Remuneration decisions of the Supervisory Board during the 2021 financial year

As part of the extension of their Management Board employment contracts, an agreement has been concluded with the members of the Management Board Kruno Crepulja and Andreas Gräf that the fixed annual base salary, the STI bonus base amount and the LTI bonus base amount are to increase by approx. 15.4% for Mr Crepulja from 1 January 2024 and by 10% for Mr Gräf if the overall target achievement of the LTI in 2022 and 2023 reaches 200% cumulatively.

## IV. Supervisory Board remuneration

### Remuneration system

The remuneration of the Supervisory Board is set out in Section 14 of Instone Real Estate Group SE's Articles of Association and is designed to be a purely fixed remuneration. Until 31 August 2021, the effective date of the conversion of Instone Real Estate Group AG into a European company (SE), the remuneration was regulated in Section 13 of Instone Real Estate Group AG's Articles of Association and is now regulated in Section 14 of Instone Real Estate Group SE's Articles of Association.

On 9 June 2021, the Annual General Meeting of Instone Real Estate Group AG approved the proposal to approve the system on the remuneration of the members of the Supervisory Board, together with a resolution on a corresponding amendment to the Articles of Association of Instone Real Estate Group AG (now Instone Real Estate Group SE), with a majority of 99.05% of the votes cast.

Under the remuneration system agreed by the Annual General Meeting, the members of the Supervisory Board receive a fixed annual remuneration of €75.0 thousand (up to and including 30 August 2021: €60 thousand). The Chairman of the Supervisory Board receives twice the remuneration and the Deputy Chairman one and a half times this amount. Members of the Audit Committee receive an additional remuneration of €15.0 thousand and members of the Remuneration Committee and Nomination Committee each receive an additional €7,500 (up to and including 30 August 2021: €1,500) per financial year for their work on these committees. The respective committee chair receives twice the remuneration. Reasonable out-of-pocket expenses are also reimbursed to the members of the Supervisory Board by the Company. The Company has also included the members of the Supervisory Board in the D&O group insurance for corporate bodies. No deductible for the members of the Supervisory Board has been agreed. No performance-based remuneration or attendance fee is paid to Supervisory Board members.

## Supervisory Board remuneration

TABLE 132

In thousands of euros	Remuneration in 2021 (earned)			Remuneration in 2020 (paid)		
	Remuneration	Remuneration	Remuneration	Remuneration	Remuneration	Remuneration
	Role	Role		Role	Role	
	General Committee	Committees	Total	General Committee	Committees	Total
Stephan Brendgen	130.1	22.0	152.2	120.0	18.0	138.0
Dr Jochen Scharpe	97.6	36.3	133.9	90.0	31.5	121.5
Marija Korsch <sup>1</sup>	26.3	1.3	27.6	60.0	3.0	63.0
Dietmar P. Binkowska	65.1	7.8	72.8	60.0	4.5	64.5
Thomas Hegel	65.1	20.6	85.6	60.0	15.0	75.0
Christiane Jansen <sup>2</sup>	21.2	0.0	21.2	0.0	0.0	0.0
<b>Total remuneration</b>	<b>405.3</b>	<b>88.0</b>	<b>493.3</b>	<b>390.0</b>	<b>72.0</b>	<b>462.0</b>

<sup>1</sup> Member of the Supervisory Board until 9 June 2021

<sup>2</sup> Member of the Supervisory Board since 20 September 2021

If a member of the Supervisory Board does not belong to the Supervisory Board or to a committee for the entire financial year, their remuneration is reduced pro rata temporis.

#### Remuneration of the members of the Supervisory Board during the 2021 financial year

The total remuneration of the Supervisory Board in the 2021 financial year was €493.3 thousand. (previous year: €462.0 thousand). Of which, €405.3 thousand (previous year: €390.0 thousand) was remuneration for work on the General Committee. Remuneration for work in committees amounted to €88.0 thousand (previous year: €72.0 thousand). The above table shows the emoluments to the members of the Supervisory Board on an individual basis pursuant to Section 162 (1) sentence 1 AktG, i.e. the remuneration (inflows) granted and owed for work in the 2020 financial year paid in the first quarter of 2021, and the remuneration earned for work on the Supervisory Board in the 2021 financial year paid in the first quarter of 2022.

In the 2021 financial year, the Instone Group Companies did not pay or grant any remuneration or other benefits to members of the Supervisory Board for services rendered in a personal capacity, in particular advisory and agency services. Nor were members of the Supervisory Board granted any advances or credits. [GRI 2-21](#)

## V. Vertical comparison

The following overview provides a comparative representation of the annual change in remuneration, the earnings performance of the Company and the average remuneration of employees viewed over the last three financial years on a full-time equivalence basis in accordance with Section 162 (1) sentence 2 No. 1 AktG. The 2016 and 2017 financial years are not shown as the Company only changed its legal form to a stock corporation in the 2018 financial year.

The remuneration of Board Members that underlies the vertical comparison was determined on the basis of remuneration granted/owed in accordance with Section 162 (1) AktG. The relevant employee comparison group includes all people employed in the Instone Group in Germany during the relevant period between 1 January and 31 December under the definition contained in Section 267 (5) HGB. The average remuneration of this comparison group was calculated on the basis of remuneration paid with regard to the employment rate.

### Vertical comparison

TABLE 133

Changes (%)

Comparison period	2019 vs. 2018 <sup>2</sup>	2020 vs 2019	2021 vs 2020
<b>Management Board members</b>			
Kruno Crepulja	34.7%	0.2%	-14.5%
Dr Foruhar Madjlessi <sup>1</sup>	-	115.2%	-22.6%
Andres Gräf	56.7%	0.2%	-11.5%
<b>Supervisory Board members</b>			
Stephan Brendgen	-0.6%	-0.4%	10.3%
Dr Jochen Scharpe	14.3%	1.3%	10.2%
Marija Korsch <sup>3</sup>	9.2%	-8.4%	5.4%
Dietmar P. Binkowska <sup>4</sup>	-	2.8%	12.9%
Thomas Hegel <sup>5</sup>	-	8.7%	14.1%
Christiane Jansen <sup>6</sup>	-	-	-
Average employee remuneration	n/a <sup>7</sup>	6.9%	-0.5%
Net income/net loss for the year of Instone Real Estate Group SE (in accordance with separate financial statements pursuant to the German Commercial Code (HGB))	172.3%	-16.9%	368.6%
Adjusted EAT (as per the IFRS consolidated financial statements)	453.3%	-61.1%	135.7%

<sup>1</sup> Member of the Management Board since 1 January 2019

<sup>2</sup> Disclosures for the members of the Supervisory Board and the Management Board have been extrapolated for the entire 2018 calendar year, as the appointment as members of the Management Board occurred during the year in the course of the conversion of the Company into a stock corporation under Dutch law.

<sup>3</sup> Left the Board during the year in 2021. Value extrapolated for the entire 2021 calendar year.

<sup>4</sup> Joined the Board during the year in 2019. Value extrapolated for the entire 2019 calendar year.

<sup>5</sup> Joined the Board during the year in 2019. Value extrapolated for the entire 2019 calendar year.

<sup>6</sup> Member of the Supervisory Board since 20 September 2021.

<sup>7</sup> Database for 2018 not available.



## Opinion on the remuneration report

TRANSLATION

– German version prevails –

### Report of the Independent Auditor on the Audit of the Remuneration Report in accordance with Section 162 (3) AktG

To Instone Real Estate Group SE (formerly: Instone Real Estate Group AG),  
Essen/Germany

#### Audit Opinion

We conducted a formal audit of the remuneration report of Instone Real Estate Group SE (formerly: Instone Real Estate Group AG), Essen/Germany, for the financial year from 1 January to 31 December 2021, to assess whether the disclosures required under Section 162 (1) and (2) German Stock Corporation Act (AktG) have been made in the remuneration report. In accordance with Section 162 (3) AktG, we did not audit the content of the remuneration report.

In our opinion, the disclosures required under Section 162 (1) and (2) AktG have been made, in all material respects, in the accompanying remuneration report. Our audit opinion does not cover the content of the remuneration report.

#### Basis for the Audit Opinion

We conducted our audit of the remuneration report in accordance with Section 162 (3) AktG and in compliance with the IDW Auditing Standard: *Audit of the Remuneration Report pursuant to Section 162 (3) AktG (IDW AuS 870 (08.2021))*. Our responsibilities under those requirements and this standard are further described in the “Auditor’s Responsibilities” section of our auditor’s report. Our audit firm has applied the requirements of the *IDW Quality Assurance Standard*:

*Quality Assurance Requirements in Audit Practices (IDW QS 1)*. We have fulfilled our professional responsibilities in accordance with the German Public Auditor Act (WPO) and the Professional Charter for German Public Auditors and German Sworn Auditors (BS WP/vBP) including the requirements on independence.

#### Responsibilities of the Executive Board and the Supervisory Board

The executive board and the supervisory board are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of Section 162 AktG. In addition, they are responsible for such internal control as they consider necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

#### Auditor’s Responsibilities

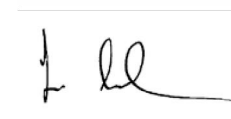
Our objectives are to obtain reasonable assurance about whether the disclosures required under Section 162 (1) and (2) AktG have been made in the remuneration report, in all material respects, and to express an audit opinion thereon as part of an auditor’s report.

We planned and conducted our audit so as to be able to determine whether the remuneration report is formally complete by comparing the disclosures made in the remuneration report with the disclosures required under Section 162 (1) and (2) AktG. In accordance with Section 162 (3) AktG, we did neither audit whether the contents of these disclosures are correct, nor whether the contents of individual disclosures are complete, nor whether the remuneration report has been reasonably presented.

Düsseldorf/Germany, 14 March 2022

#### Deloitte GmbH

Wirtschaftsprüfungsgesellschaft



Signed: Prof. Dr. Holger Reichmann  
Wirtschaftsprüfer  
[German Public Auditor]



Signed: Michael Pfeiffer  
Wirtschaftsprüfer  
[German Public Auditor]



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