

# CORPORATE GOVERNANCE REPORT

According to the principles of the German Corporate Governance Code applicable in Germany, corporate governance encompasses the company's entire management and supervision system. The Code aims to enhance the trust of national and international investors, customers, employees and the public in the management and supervision of listed companies. Efficient cooperation between the Managing Board and the Supervisory Board, respecting the interests of shareholders and openness and transparency in company communication are thus key aspects of good corporate governance.

In this report, init aims to provide a transparent and comprehensible picture of the principles of responsible and sound management ("corporate governance") applicable in Germany and of how they are put into practice at init.

## DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

In compliance with the Section 161 of the German Stock Corporation Act (AktG), the Managing Board and the Supervisory Board of a listed stock corporation are required each year to declare compliance with the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice in the official section of the Federal Official Gazette and to disclose any deviation from these recommendations. The Declarations of Compliance with the Code are accessible on the company's website for a period of five years. Since the Code was introduced in 2002, our company has complied regularly with almost all its recommendations.

The Managing Board and Supervisory Board of init issued the most recent Declaration of Compliance pursuant to Section 161 AktG on 11 December 2019. The Declaration below relates to the Code version of 7 February 2017, which was published in the Federal Official Gazette on 24 April 2017. Owing to the size of the firm and company-specific features, the Managing Board and Supervisory Board declare that the recommendations have been and are adhered to with the following exceptions:

## Interaction between the Managing Board and the Supervisory Board

The D&O insurance does not provide for an excess payable by members of the Supervisory Board of init (item 3.8 para. 3 of the Code):

init does not believe that agreeing to an excess encourages the performance and motivation of the members of the Supervisory Board and the willingness to hold this office.

## Managing Board

An age limit is not specified for members of the Managing Board (item 5.1.2 para. 2 of the Code):

init operates in a market that requires flexibility, special expertise and many years of experience. Therefore, age limits for members of the Managing Board are not considered by init to be in the company's interests.

## Supervisory Board

The Supervisory Board has not formed any committees (item 5.3.1 of the Code), an audit committee (item 5.3.2 of the Code) or a nomination committee (item 5.3.3 of the Code):

The specific conditions do not exist and init considers this impractical due to the size of both the company and the Supervisory Board (four members).

No age limit or time limit for membership has been specified for members of the Supervisory Board. The Supervisory Board has not given any specific goals for its composition (item 5.4.1 para. 2 of the Code).

When proposing future candidates at the Annual General Meeting, the Supervisory Board will take account of the legal requirements and focus exclusively on the professional and personal qualifications of the person.

## CORPORATE MANAGEMENT DECLARATION

The principles of responsible and sound management have guided the actions of the management and control bodies of init since its foundation. The division of responsibilities between the Annual General Meeting, the Managing Board and the Supervisory Board, as required by the German Stock Corporation Act and the articles of incorporation of our company, and the interaction between the different governing bodies are discussed below:

### Managing Board

The Managing Board is the management body of the listed European Company (Societas Europea, SE). It manages the affairs of the company and is bound by the German Stock Corporation Act to uphold the interests and business policies of the company. The Managing Board provides the Supervisory Board with regular, timely and comprehensive information about all key issues relating to the company's business development and risks and agrees corporate strategy with the Supervisory Board. Furthermore, it ensures that legal rules, official regulations and company-internal guidelines are adhered to, and works with the Supervisory Board with a view to ensuring that all employees of the group comply with them.

The Managing Board of init currently has four members who together bear responsibility for overall business management. Joachim Becker (COO) stepped down at his own request from the Managing Board of init SE upon expiry of his contract on 31 March 2019. Matthias Kühn (COO) took over his tasks on the Managing Board. As the central task of corporate management, the Managing Board develops the strategic orientation of the company, ensures that the risks of business activities are handled responsibly by means of a suitable internal control and risk management system and ensures that legal requirements and internal guidelines are observed within the company (compliance). Furthermore, it decides on appointments to management posts, with due consideration for diversity. However, the professional and personal qualifications of the individual persons are in the focus. It also sets targets for the proportion of women in the two management levels below the Managing Board. More detailed rules are contained in particular in the rules of procedure of the Managing Board approved by the Supervisory Board.

Unlike other companies, the Managing Board of init is very actively involved in the day-to-day operations of the respective company units and manages these. In keeping with the practices of responsible business management, it is therefore very close to the key reference groups of a company, its customers, suppliers and employees and its shareholders and investors. This enables it to react very quickly and directly to new situations.

### Supervisory Board

The Supervisory Board advises and monitors the Managing Board in the management of the company. Decisions of fundamental importance to the company are subject to the approval of the Supervisory Board and are set out in the rules of procedure of the Managing Board. In addition, transactions with related parties may, by law, require the prior approval of the Supervisory Board.

The Chairman of the Supervisory Board is elected by the Supervisory Board from among its members. He coordinates the work of the Supervisory Board and represents the interests of the Supervisory Board externally.

In addition, the Supervisory Board is responsible for appointing members of the Management Board, determining their number in accordance with legal and statutory requirements and setting the target figure for the proportion of women on the Management Board. Diversity aspects are taken into account in the selection process, but the focus is on the professional and personal qualifications of the individual persons.

At init, the Supervisory Board is composed of shareholder representatives and, in accordance with the articles of incorporation, of four persons. These are appointed for three years. The Supervisory Board endeavors in its entirety to provide a competence profile that ensures that the Managing Board of init is supervised competently and given informed advice. The persons intended to be appointed to the Supervisory Board should provide assurance, based on their professional expertise and experience, their integrity, their ethical conduct, independence and personality that they can responsibly carry out the tasks of a supervisory board member in a leading international technology firm for the mobility sector. Each member of the Supervisory Board ensures that he or she has sufficient time to perform his or her duties.

When appointing members to the Supervisory Board, potential conflicts of interest, the number of members of the Supervisory Board and diversity are likewise adequately taken into consideration. Because of the size of both the company and of the Supervisory Board of init, no Supervisory Board committees have hitherto been established.

The Supervisory Board has laid down rules of procedure and convenes in regular meetings at least once a quarter and, unless otherwise stipulated, adopts decisions based on a simple majority of the votes cast. A resolution of the Supervisory Board adopted in writing by means of fax or e-mail, by telephone or using electronic means of communication or a combination of the above-mentioned means of communication is permitted in accordance with the articles of incorporation of init. Precise details on the form in which resolutions are adopted are determined by the Chairman. The Chairman of the Supervisory Board draws up a written record of resolutions.

The Supervisory Board is responsible for providing the necessary training and continuing education. It also regularly evaluates the efficiency of its activities as part of a self-assessment.

Further details about the work of the Supervisory Board are provided in the "Report of the Supervisory Board" section of this Annual Report.

### **Cooperation within the Supervisory Board and with the Management Board**

The Managing Board and Supervisory Board of init work closely together for the benefit of the company. Good corporate governance requires an open discussion between and within both bodies.

The dual board system is a basic principle of German company law, the European legal provisions and the statutes. It assigns executive management to the Managing Board and supervision to the Supervisory Board. Both boards are obliged to ensure the continued existence of the company and sustained value creation by the company in accordance with the principles of a social market economy. These principles demand legality as well as ethically based and responsible conduct.

The Managing Board regularly provides the Supervisory Board with timely and comprehensive information on all relevant issues of company management, in

particular the strategy, planning, business performance, the risk situation and the risk management.

The Chairman of the Managing Board informs immediately the Chairman of the Supervisory Board about important events that are of material importance for the assessment of the situation and development as well as for the management of the company. They are in active contact between the meetings.

If necessary, the Supervisory Board also meets without the Managing Board and, if required, convenes an extraordinary meeting of the Supervisory Board.

### **Annual General Meeting and rights of shareholders**

At the Annual General Meeting, shareholders exercise their rights, in particular their right to information, and use their voting rights. The meeting decides on all matters assigned to it by law, such as the election of members of the Supervisory Board, the discharge of the Managing Board and the Supervisory Board, the appropriation of profits and amendments to the articles of incorporation.

At the Annual General Meeting, shareholders have the opportunity to address the meeting on any items on the agenda, to raise relevant questions and to file motions. Shareholders can exercise their voting rights at the Annual General Meeting either in person, through a duly authorised representative, or by a proxy of init, subject to instructions. Each share carries one vote. To enable shareholders to prepare for the Annual General Meeting, the invitation, agenda and other information about the Annual General Meeting are available on the company's website. The voting results are also published on the website directly after the Annual General Meeting.

The Annual General Meeting of init is generally held within the first six months of the financial year. The Annual General Meeting is chaired by the Chairperson of the Supervisory Board. He or she determines the order of the agenda items and the type and form of voting. The Chairperson is empowered to place appropriate restriction on the right to ask questions and to speak for the entire Annual General Meeting, for individual agenda items and / or for individual speakers.

## Transparency as a basic principle of communication

Consistent, comprehensive and timely information is a fundamental principle at init. For that reason, shareholders, investors, analysts, journalists and interested members of the public are informed transparently about the performance of the company in the respective financial year by means of press releases, capital market information, annual reports, half-year financial reports and quarterly statements in German and English.

At the time these documents are published, all the information also becomes available on the company's website and can be accessed there at any time. Furthermore, the Investor Relations team maintains a regular dialogue with capital market participants. In addition, shareholders and the public can find information about the organisational structure of init and about the members of the Managing Board and Supervisory Board on the website. The website includes a financial calendar covering all key dates.

## Compliance and Ethical Guidelines

The Managing Board is obliged to ensure compliance with legal provisions and internal guidelines and to work towards ensuring compliance therewith by group companies. In addition to compliance with laws set down by legislators, it is important above all to anchor ethically and morally sound behaviour in the company's corporate culture.

As a result, compliance is an essential component of init's corporate values. With the rules of conduct that apply across the group, init wants to protect employees and companies as well as clients, business partners and capital market participants. Within this context, fighting corruption and bribery is a high priority, as strict compliance with legal regulations and the avoidance of violations in connection with corruption form the basis for our business activities. The objective is to maintain and continue to establish ethically, morally and legally irreproachable conduct in all areas of the company. Furthermore, init strives to keep all employees up to date on the topic of fighting corruption.

The Ethical Guidelines comprise all applicable statutory and company requirements for our employees. They prescribe a specific code of conduct and stipulate that corruption and bribery are not tolerated by our company. They include specific rules, such as ones

on the granting or acceptance of benefits, the documentation of business transactions and the comprehensive, truthful and lawful provision of information to employees, shareholders, the capital market, the media and other stakeholder groups. The Ethical Guidelines form the binding code of conduct for the entire init group and apply without exception to all employees – across teams, hierarchy levels, countries and all individual companies within our group.

init's Ethical Guidelines are published on the website and are handed over to the employees in the group companies in a timely manner, either when they join the company or already at the application stage. Furthermore, employees worldwide are informed about init's Ethical Guidelines at least once a year, through communication via the Intranet, email or in meetings. The employees of group companies confirm that they have received and acknowledged the information. Moreover, init's Managing Board maintains an active exchange with the management of all the consolidated companies.

Once a year, the Managing Board members meet with the managing directors of the group companies. At this annual management meeting, management is again made aware of the topic combating corruption and bribery in particular, and the Code of Conduct, in order to establish it at the group companies and among the company's own employees.

In the year under review it was decided to revise the existing Ethical Guidelines and republish them at the beginning of 2020. The existing basic content will be retained, but the new guidelines will deal more specifically with the key aspects of corporate social responsibility. Among other things, there is an additional section on combating corruption and bribery, as well as clearly defined instructions and rules of conduct in business activities.

On the Managing Board of init SE, the CFO is responsible for compliance. The respective management as well as legal departments within the group coordinate compliance topics locally. These flat hierarchies enable quick response to compliance cases.

In addition, a risk matrix with compliance-related topics was drawn up as part of risk management in the year under review. This is reviewed and updated annually in order to evaluate new topics, identify the need for action and derive measures for compliance with any laws and regulations.

As the customers of init are mainly public transport companies or associations in Germany and abroad, public and formalised procurement are of major economic importance. Public procurement is strongly structured and regulated by public procurement law. Public procurement law protects the transparency and comprehensibility of decisions through its regulations on competition. These legal regulations in procurement law must be observed at all times by public customers as well as by participating tenderers such as init, from needs assessment to the tender phase through to awarding of the contract and order fulfilment.

We require and encourage the reporting of all processes that indicate a criminal offence or a systematic breach of laws or internal rules. To this end, an online whistleblower system was created which enables employees as well as customers, business partners and third parties to report improper conduct, either anonymously or not anonymously. The system is accessible to all and is available on the company's website. The system immediately forwards every report to the Legal department or the Managing Board, where it is reviewed and processed. The company's preventive and control measures also include the dual control principle, which is set out for the companies in a set of signature rules.

### Accounting and auditing

The auditor supports the Supervisory Board in monitoring the management of the company, in particular in auditing the accounting and monitoring the accounting-related control and risk management systems. The auditor's report informs the capital market about the correctness of the accounting.

The annual financial statements and the combined management report of init are prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements are prepared according to Section 315a HGB based on the International Financial Reporting Standards (IFRS) as adopted by the EU.

Following their preparation by the Managing Board, the annual and consolidated financial statements are audited by the auditor as well as adopted by the Supervisory Board. The annual and consolidated financial statements are disclosed within 90 days after the end of the financial year. Within the scope of the audit, the auditor immediately advises the Chairman of the Supervisory Board of all key issues and events which

may arise during the audit. The Supervisory Board takes care to ensure the independence of the auditor and proposes an auditor for election by the Annual General Meeting.

On 15 May 2019, the Annual General Meeting of init passed a resolution to elect Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as the auditor and group auditor for the 2019 financial year, as proposed by the Supervisory Board. The individual auditors responsible at Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft are Mr Kresin and Mr Werling (since 1 October 2016). There is a regular change of auditors within the audit company.

### Shareholdings of the Managing Board and the Supervisory Board

The members of the Managing Board and Supervisory Board indirectly or directly hold a total of 3,917,889 shares in the company as of 31 December 2019, which equates to 39.02 percent of the shares.

An individualised disclosure of the shares held by the members of the Managing Board is included in the notes to the consolidated financial statements.

Members of the Managing Board and of the Supervisory Board and persons closely associated with them are legally obliged, pursuant to Article 19 of Regulation (EU) No 596 / 2014 of the European Parliament and of the Council on market abuse (market abuse regulation), to reveal any transactions conducted on their own account relating to securities of the company if the total amount of the transactions conducted by the member and / or persons closely associated with him or her within a calendar year reach or exceed a total of EUR 20k. The transactions notified to init in the last financial year were duly published without delay. A list of the manager transactions notified in the 2019 financial year is available in the company register at [www.unternehmensregister.de](http://www.unternehmensregister.de).

### Remuneration of the Managing Board and Supervisory Board

The remuneration report is part of the combined management report and is published in this Annual Report.

The Annual General Meeting of init on 21 July 2016 decided with a three-quarters majority to omit individualised disclosure of the remuneration for Managing Board members for a period of five years.

## **Equal participation of women and men in management positions**

The proportion of women on the Managing Board has increased due to the reduction in the total number of Board members and now stands at 25 percent. The Supervisory Board has now been able to find a suitable person for its body as planned and thus increased the proportion of women on its Board to 25 percent for the first time. When the resolution was passed, the target figure was set at zero.

The proportion of women in the first management level below the Managing Board was 33 percent in 2019. As a result of the restructuring that took place in the Group in 2020, this figure is again 50 percent. With regard to the second management level below the Managing Board, the proportion of women is now 40 percent, instead of 50 percent in 2019.

The Managing Board will strive to ensure that the proportion of women does not fall below 30 percent at the first and second management levels below the Managing Board by 30 June 2022. This target was set in order to ensure sufficient flexibility in appointing suitable persons.