



# Corporate Governance Principles

Version effective October 2024

# Content

- Preamble .....2
- I. Real I.S. AG’s management and structure .....3
- II. Board of Management, Supervisory Board and other supervisory bodies .....3
  - 1. Board of Management.....3
  - 2. The Supervisory Board .....5
  - 3. Collaboration between the Board of Management and Supervisory Board.....6
  - 4. Other supervisory bodies.....7
- III. Shareholder’s Meeting .....7
- IV. Regulations governing conflicts of interest and proprietary trading .....7
- V. Transparency and Accounting .....8
  - 1. Transparency.....8
  - 2. Accounting.....9
- VI. Audit of annual accounts and risk management .....9

## Preamble

Trust in the corporate policy of Real I.S. AG (Real I.S.) is largely dependent on the degree to which there are responsible, transparent management and controls aimed at increasing the value of the corporation over the long term. Real I.S. has therefore always placed great emphasis on corporate governance.

As a licensed investment management and real estate company operating across Germany and worldwide, Real I.S. AG as a member of the BayernLB group, has an interest in making the corporate governance system it has voluntarily adopted transparent and comprehensible so as to promote even greater trust in Real I.S. among customers, staff and the public at large.

Uncompromising legal compliance, the observance of binding professional standards and the orientation towards moral values are basics of a professional culture in the entire value chain of the property sector. Sustainable business success and the reputation in the real estate industry are based on this.

These Corporate Governance Principles summarise the corporate management and control regulations, which apply to Real I.S. AG. They are either legal requirements in themselves or requirements Real I.S. AG has chosen to impose on itself. The Corporate Governance Principles are largely based on the provisions of the German Corporate Governance Code, which the parent company BayernLB as an unlisted public-sector institution has voluntarily assumed, as well as on the recommendations of the “Initiative Corporate Governance der deutschen Immobilienwirtschaft”.

Real I.S. AG’s Corporate Governance Principles are regularly reviewed and amended as necessary to reflect new events or legal requirements, as well as changes to existing German or international standards. Real I.S. AG reports on its observance of these Corporate Governance Principles in its annual report.

The Real I.S. Board of Management, Supervisory Board and General Meeting adhere to these principles in fulfilling their mandates.

## **I. Real I.S. AG's management and structure**

The business purpose of Real I.S. is the initiation and management of open-end and closed-end investment funds as well as the active asset management in the whole real estate lifecycle. Moreover, Real I.S. can provide services for private and institutional investors and municipalities as well as for business partners in the construction and real estate sector. In the context of its business purpose, Real I.S. may establish other corporations and partnerships, in particular special purpose vehicles, or acquire an interest in such corporations and take over their management.

Real I.S. AG is subject to the German Stock Corporation Act ("Aktiengesetz"). Therefore Real I.S. AG has a management and supervisory structure with responsibility split between two bodies. The Board of Management runs Real I.S. AG's business, while the Supervisory Board appoints, supervises and advises the Board of Management.

The General Meeting, attended by the shareholders, is a further institution of Real I.S., which has decision-making powers over policy matters.

## **II. Board of Management, Supervisory Board and other supervisory bodies**

### **1. Board of Management**

- a) The Board of Management manages Real I.S. under its own responsibility. It derives its tasks and responsibilities from German law and the Real I.S. Statutes as based on the German Stock Corporation Act. The members of the Board of Management are bound by their legal and statutory duties, the rules of proper corporate management and the interests of the corporation. Should they intentionally breach their duty of care as proper and conscientious executive managers, they shall be liable to Real I.S. AG for claims for damages. The Board of Management makes its decisions on a sound and informed basis. It scrutinises proposals, explanations, and information when considering, and taking decisions.
- b) The Board of Management consists of several members and has a chairperson (CEO). The Supervisory Board appoints the members of the Board of Management, including the CEO. The Board of Management lays down rules of procedure for itself, which require the approval of the Supervisory Board. These govern cooperation and the task allocation between members.

- c) The members of the board of management have relevant education respectively special knowledge or sufficient experience in real estate business.
- d) The Board of Management works with the Supervisory Board to determine and implement the strategic course of the corporation.
- e) Among the tasks of the Board of Management are appropriate risk management and risk controlling. It is also responsible for ensuring that legal requirements and internal guidelines be observed („Compliance“). It installs measures, which are appropriate for the risk situation (compliance management system) and discloses their general features. Employees are afforded suitable, protective means of reporting any sign of a legal violation in the corporation, as are third parties.
- f) When filling management positions in Real I.S. AG the Board of Management strives for diversity, in particular for an appropriate representation of women.
- g) The remuneration scheme for the Board of Management falls under the responsibility of the Supervisory Board. Remuneration must be geared towards the achievement of the goals set out in the strategies of Real I.S. AG; the appropriateness of the remuneration scheme must be reviewed on a regular basis and, when necessary, revised.

In determining the remuneration for the individual members of the Board of Management, the Supervisory Board must ensure that such remuneration be appropriate in relation to the duties and performance of the Board of Management and to the situation of BayernLB, and that – with the benchmark rates and the remuneration scheme applied elsewhere at Real I.S. taken into account – it not exceed the market rate. The remuneration scheme must be so designed as to avoid incentives for the Board of Management to take disproportionately high risks.

The remuneration structure is to be centred on a sustained corporate development. Variable remuneration is therefore partly based on a multi-year basis. Positive and negative developments alike are factored into the variable remuneration components. An appropriate upper limit is set for the ratio between variable and fixed remuneration. The Supervisory Board shall agree on an emergency cap for unexpected developments. Variable remuneration shall be based not only on the overall performance of the Real I.S. Group but also on the performance contribution of the organisational units for which the particular member of the Board of Management is responsible, as long as this does not involve disproportionate effort.

Any external remuneration expert enlisted by the Supervisory Board to assess the appropriateness of the remuneration shall constitute an objective party operating independently of the interests of the Board of Management and Real I.S. AG.

## 2. The Supervisory Board

- a) It is the task of the Supervisory Board to advise and monitor the Board of Management on a regular basis and to approve the general principles for Real I.S.'s business strategy. In particular, it must constructively scrutinise proposals and information provided to the Board of Management. The Supervisory Board must be included in decisions of fundamental importance to Real I.S. AG.
- b) The Supervisory Board decides on the appointment, recall, employment, dismissal and retirement of the members of the Board of Management. In assembling the Board of Management, it furthermore strives for diversity. It works with the Board of Management on long-term succession planning.
- c) The Supervisory Board currently consists of three members. The work of the Supervisory Board is governed by rules of procedure.

The members of the Supervisory Board must be reliable and possess the knowledge required for fulfilling their supervisory function and for monitoring and assessing the business conducted by Real I.S. This includes in-depth experience and knowledge in the application of internal control and risk management systems, in the area of governance and compliance, as well as in sustainability issues of importance to the company.

- d) The Supervisory Board may appoint an Advisory Board for Real I.S. AG, which shall consist of at least three members. The preparation of the rules of procedure is the responsibility of the Supervisory Board and requires the approval of the general meeting. The remuneration of the Advisory Board and its amount can be determined by the Supervisory Board.
- e) The chairperson of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and represents the interests of the Supervisory Board to other parties.

Between meetings, the chairperson of the Supervisory Board maintains regular contact with the Board of Management, particularly with the CEO, and advises it on issues of strategy, planning, business performance, the risk situation, risk management and compliance of the corporation.

The Supervisory Board has the right to examine the business operations and all legal relationships of Real I.S. AG.

- f) The remuneration of the members of the Supervisory Board shall be commensurate with their duties and the situation of the corporation.

### **3. Collaboration between the Board of Management and Supervisory Board**

- a) The Board of Management and Supervisory Board of Real I.S. AG work closely together for the good of the company.
- b) In matters of fundamental importance, the legislation (in particular the German Investment Code and the German Stock Corporation Act), the articles of association and the rules of procedure – in certain cases – confer a right of veto on the Supervisory Board. These include decisions and measures that fundamentally change the asset, financial and profit situation of Real I.S. AG. The rules of procedure for the Management Board also stipulate reservations of approval for real estate acquisition decisions, product innovations and product launches.
- c) The Board of Management is responsible for providing information to the Supervisory Board. To this end, the Supervisory Board lays down the concrete information and reporting duties of the Board of Management.  
The Board of Management reports to the Supervisory Board regularly and, in the case of an extraordinary event, immediately, in detail on all material matters relating to business strategy, performance, projections, earnings and profitability, the overall risk situation, risk management and compliance. The Board of Management thereby details any deviations in business performance from the projections and targets set, and states the reasons for such deviations. The CEO immediately informs the chairperson of the Supervisory Board of extraordinary incidents bearing key importance to the assessment of Real I.S.'s situation and performance. The chairperson of the Supervisory Board then passes this information on to the entire Supervisory Board not later than during the following meeting of the Supervisory Board.  
  
In addition, the chairperson of the Supervisory Board have the rights of examination listed in II.2.e, above.
- d) Good management requires open discussion between and within the Board of Management and the Supervisory Board. It is therefore vital that confidentiality be adequately ensured at all times. All members of the Board of Management and the Supervisory Board undertake to ensure that the members of staff they work with respect the duty of confidentiality in the same way.
- e) The Supervisory Board convenes without the Board of Management when necessary.

#### **4. Other supervisory bodies**

As a capital management company under German Law, Real I.S. AG, is subject to general supervision by the German Federal Financial Supervisory Authority (BaFin).

### **III. Shareholder's Meeting**

The Shareholder's meeting represents the interests of the shareholders. The General Meeting has decision-making authority on fundamental matters. In particular, this competence extends to decisions on changes to the Statutes, the allocation of retained earnings, the appointment of statutory auditors and approval of the actions of the Board of Management and Supervisory Board.

### **IV. Regulations governing conflicts of interest and proprietary trading**

1. For the duration of their employment by Real I.S. AG, the members of the Board of Management are subject to a comprehensive ban on competition.
2. No board or staff member may demand or accept unwarranted favours from third parties in connection with their activities, neither for themselves nor on behalf of others, nor offer third parties unwarranted favours.

The legal prohibition on self-dealing (§181 BGB) applies equally to members of the boards and all members of staff.

3. The members of the Board of Management and the Supervisory Board are obliged to act in the interests of the corporation. No member of the Board of Management, Supervisory Board or the General Meeting may pursue any personal interests that contradict those of the corporation or exploit commercial opportunities that are open to Real I.S. AG during the course of their activities.
4. All members of the Board of Management disclose conflicts of interest to the Supervisory Board immediately and inform the other members of the Board of Management. All members of the Supervisory Board disclose conflicts of interest to the Supervisory Board immediately; in particular, those that may arise from advisory or executive activities involving a third party. Any material and non-temporary conflicts of interest borne by a member of the Supervisory Board result in the termination of that member's mandate.



5. No member of the Board of Management, Supervisory Board or the General Meeting shall be involved in the advising or decision-making process with regard to a transaction that bears the potential of an immediate benefit or disadvantage to himself or herself, a related or affiliated party or someone on whose behalf he or she is acting.
6. Members of the Board of Management require the approval of the Supervisory Board to pursue a secondary occupation, in particular for supervisory board mandates outside the Group.
7. A loan may be granted to a member of the Board of Management or Supervisory Board only with the approval of the Supervisory Board (§§ 89, 115 AktG).
8. In line with applicable compliance regulations, Real I.S. AG has established rules for personal transactions by employees, which are part of every employment contract. Appropriate measures are taken to identify conflicts of interest that may arise in connection with the management of investment assets. The Board of Management ensures that these obligations are met by means of compliance regulations. The compliance officer is directly subordinate to the Board of Management and reports to it and to the Supervisory Board at least once per year to inform these bodies as to whether the measures and procedures set in place in fulfilment of the legal and supervisory regulations are suitable and effective.
  - 8.1 Information on legal and compliance violations or indications of risks of legal violations, can be sent to [compliance@realisag.de](mailto:compliance@realisag.de) if desired also under preservation of anonymity.
  - 8.2 The principles of the Compliance Management system have been summarized in a Code of Conduct and published on the company's website.

## **V. Transparency and Accounting**

### **1. Transparency**

The Board of Management shall immediately publicise all inside information arising from the business activities of Real I.S. AG if they have an impact on the net assets and financial position, the general business performance or the reputation of Real I.S. AG – and therefore also the BayernLB Group.

Information on Real I.S. AG is also available on Real I.S. AG's website ([www.realisag.de](http://www.realisag.de)). The publications can also be accessed in English.

## 2. Accounting

The Accounting standard / annual financial statements of Real I.S. AG are subject to the provisions of the German Commercial Code (Handelsgesetzbuch; HGB), supplemented by §38 (1) German Capital Investment Code (Kapitalanlagegesetzbuch; KAGB), the German Stock Corporation Act (Aktiengesetz; AktG) and the ordinance regulating the accounting requirements for banks and financial service institutions (RechKredV). The annual financial statements, the notes on the accounts and the management report of the corporation are published in the Federal Gazette (Bundesanzeiger). The annual report and the management report are drawn up by the Board of Management and are verified by the statutory auditors and the Supervisory Board. The general meeting adopts the annual financial statements.

## VI. Audit of annual accounts and risk management

1. The auditors are appointed by the general meeting of shareholders. Before officially proposing a particular statutory auditor, the Supervisory Board obtains a declaration from the statutory auditor of choice stating whether and, if so, what, business, financial, personal or other connections exist between the statutory auditor and its boards or head auditors, and between the statutory auditor and Real I.S. AG or members of Real I.S. AG's boards, which might call the statutory auditor's objectivity into question. The declaration must cover the extent to which other services, in particular consultancy services, have been conducted on behalf of Real I.S. AG in the previous financial year or contractually agreed for the coming year.
2. The audit mandate contains an agreement with the statutory auditor that the chairperson of the Audit Committee shall be immediately informed of any potential grounds for exclusion or bias that emerge during the audit which cannot be immediately resolved. The statutory auditor must also agree to immediately report all findings and incidents of significance to the work of the Supervisory Board that become known to them during the audit.
3. The statutory auditor takes part in advising the Supervisory Board in respect of the annual accounts and consolidated accounts and reports the most significant findings which emerge during the audit.

4. The Board of Management must take suitable measures to ensure that events that could jeopardise Real I.S. AG or individual units or have a negative impact on the BayernLB Group can be recognised well enough in advance. It therefore has installed a risk management system which is examined continuously in terms of efficiency and which is described at length in the management report. In addition, the risk management system of Real I.S. AG is examined by the statutory auditor as a part of the audit of the financial statements.

Real I.S. AG also has an internal audit unit, which reports directly to the CEO. As a permanently installed and independent body, the Audit Division is responsible for auditing and assessing the effectiveness and appropriateness of the risk management and the internal control system, as well as of the regularity of all activities and processes in general. Internal Audit reports to the Board of Management on the results of its audits in a timely manner. The Supervisory Board is informed at least once a year about serious deficiencies as well as significant deficiencies that have not yet been remedied. In the case of particularly serious deficiencies, the Board of Management shall inform the Supervisory Board without delay.

As a shareholder, BayernLB has the opportunity to conduct regular audits and special audits at Real I.S. AG via BayernLB's Internal Audit department as an independent institution.

Munich, 1st October 2024

Real I.S. AG

Gesellschaft für Immobilien Assetmanagement

Dr. Christine Bernhofer

Bernd Lönner

Franz Krewel

Please note that this document is a translated version and does not contain signatures for that reason. The German version is binding.