

CORPORATE-GOVERNANCE- Report

Irrespective of the resolution adopted by the Annual General Meeting on 21 July 2016 to convert init AG into a listed European Company (Societas Europea, SE) with its registered office in Germany, init SE remains subject to German company law and to the principles of responsible and sound management (“corporate governance”) applicable in Germany.

In this report, init aims to provide a transparent and comprehensible picture of the rules applicable in Germany and of how they are internalised at init.

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 German listed stock corporations. 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.

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 6 December 2016 (when the company was still init AG). The Declaration below relates to the Code version of 5 May 2015, which was published in the Federal Official Gazette on 12 June 2015. 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 AG (item 3.8 para. 3 of the Code).

init AG 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.

83 days

*after the end of the financial year
the AR 2015 was available to the public*

Managing Board

- ▶ A quantitative limit on the variable compensation elements is defined as follows (item 4.2.3 para. 2 of the Code).

The variable compensation in cash is limited to 33.3 per cent of the base salary. In addition, there is a stock bonus, which is limited to a maximum number of shares.

- ▶ The individualised disclosure of the remuneration for the Managing Board can be omitted if the Annual General Meeting decides so by a three-quarters majority (item 4.2.4 of the Code).

The Annual General Meeting 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.

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

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

6 months

The Annual General Meeting of init SE is generally held within the first six months of the financial year

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 AG considers this impractical due to the size of both the company and the Supervisory Board (three 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).

In 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. Following the conversion to init SE, 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, remain unchanged. Below we set out the responsibilities of and interaction between the different governing bodies.

Managing Board determines corporate objectives and strategic direction, reports to the Supervisory Board

The Managing Board is the management body of the listed European Company (Societas Europaea, 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 (“compliance”).

The Managing Board of init currently has five members, who together bear responsibility for overall business management. As a central part of managing the company, the Managing Board sets down the corporate goals and strategic direction of init, decides on questions of principle relating to business policy and determines the internal organisation of the company. It decides on appointments to management posts, with due consideration for diversity. More detailed rules are contained in particular in the rules of procedure of the Managing Board approved by the Supervisory Board.

Unlike with 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.

The Managing Board convenes in regular meetings and, unless otherwise stipulated, passes decisions based on a simple majority of the votes cast.

Supervisory Board appoints, monitors and advises the Managing Board

The Supervisory Board acts in an advisory capacity to the Managing Board and monitors its affairs. It is also responsible for appointing members of the Managing Board and defining their number. Aspects of diversity are considered when selecting members.

The Supervisory Board has laid down rules of procedure for itself and makes its decisions through resolutions that are adopted by a simple majority of the members of the Supervisory Board taking part in the vote.

The Supervisory Board of init comprises three members in accordance with the articles of incorporation, who bring additional expertise to advising and monitoring the company’s management thanks to their many years of experience in executive roles and their specialist knowledge. Due consideration is likewise given to diversity in making appointments to the Supervisory Board. Because of the size of both the company and of the Supervisory

Board of init, no Supervisory Board committees have hitherto been established. In their own estimation, the Supervisory Board members consider themselves to be independent within the meaning of item 5.4.2 of the Code.

The Supervisory Board is provided with timely, regular and comprehensive information about the company’s business activities by the Chief Executive Officer. All members of the Managing Board must support the Chief Executive Officer in the performance of this duty.

The Supervisory Board 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 that are not adopted in meetings.

Further details about the work of the Supervisory Board are provided in the “REPORT OF THE SUPERVISORY BOARD” section of this Annual Report (on pages 22 to 26).

Working principles of the Managing Board and Supervisory Board

The Managing Board and Supervisory Board of init work together closely for the good of the company and its shareholders. This dual board system is a basic principle of German company law. It assigns executive management to the Managing Board and supervision to the Supervisory Board. The two boards are strictly segregated in terms of both membership and areas of responsibility. Both boards are obliged to take care 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.

The Managing Board provides the Supervisory Board with timely and comprehensive information on all relevant issues of company management, business performance, the risk situation, risk management and compliance and agrees the company’s strategic direction with the Supervisory Board.

Motions for resolutions and detailed written documents are provided to the Supervisory Board at least one week prior to its meeting.

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, 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 website. The voting results are also published on the website directly after the Annual General Meeting.

The Annual General Meeting of init SE is generally held within the first six months of the financial year. The Annual General Meeting is chaired by the Chairman of the Supervisory Board. He or she determines the order of the agenda items and the type and form of voting. The Chairman 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 are 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 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 website and can be accessed there at any time. Furthermore, the company's 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. This objective is also served by the ethical guidelines of init, which are available to employees as important guidance for the manner in which the company's vision and mission are put into action. As a basis for everything the company does, they create trust, credibility and transparency and serve to prevent infringements against legal requirements. 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. This is a key factor in the success of the company. The init ethical guidelines are published on the website at www.initse.com.

Accounting and auditing

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 on the basis of 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 approved and 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 21 July 2016, the Annual General Meeting of init resolved to elect Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as the auditor and group auditor for the 2016 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

In total, the members of the Managing Board directly or indirectly hold 3,887,490 shares in the company as of 31 December 2016, which equates to 38.7 per cent of the shares. The Supervisory Board of init does not hold any 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 5,000.

The transactions notified to init in the last financial year were duly published without delay. A list of the manager transactions notified in the 2016 financial year is available at 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 starting on page 66.

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

Women are not currently represented on the Managing Board or the Supervisory Board of init, which means setting a target of zero is legally possible. With regard to the sought-after representation of women at all management levels, no representation of women on the Managing Board is possible up to 30 June 2017. Unfortunately, it was not possible to attract suitable female candidates for the new elections at the last Annual General Meeting. However, the Supervisory Board will make it a focal point of its activity, for periods after 30 June 2017 to set targets for female representation on the Managing Board and Supervisory Board and to identify suitable female candidates for future appointments.

The proportion of women at the first management level below the Managing Board is currently 100 per cent. The Managing Board will therefore strive to ensure that the proportion of women does not fall below 30 per cent by 30 June 2017. At the second management level below the Managing Board, the proportion of women is likewise currently 100 per cent. Here too, therefore, the Managing Board will strive to ensure that the proportion of women does not fall below 30 per cent by 30 June 2017. This target was set in order to ensure sufficient flexibility in appointing suitable persons.

100%

The proportion of women at the first and second management level below the Managing Board