

**[INDUS]**

**DECLARATION ON CORPORATE GOVERNANCE  
PURSUANT TO SECTIONS 289f, 315d OF THE  
GERMAN COMMERCIAL CODE (HGB)  
CORPORATE GOVERNANCE REPORT**

Reporting year 2020

# [ INDUS ]

## CONTENTS

### **I. CORPORATE GOVERNANCE PRINCIPLES**

- 1.1 General information
- 1.2 Corporate structure
- 1.3 Declaration on the German Corporate Governance Code

### **II. BOARD OF MANAGEMENT**

- 2.1 Board of Management and members of the Board of Management
- 2.2 Activity of the Board of Management
- 2.3 Corporate governance practices
- 2.4 Procedures of the Board of Management and the Supervisory Board
- 2.5 Compensation system and compensation of the members of the Board of Management

### **III. SUPERVISORY BOARD**

- 3.1 Members and chair
- 3.2 Composition and diversity
- 3.3 Procedures of the Supervisory Board
- 3.4 Activity of the Supervisory Board in the reporting year
- 3.5 Committees and their procedures
- 3.6 Compensation of the members of the Supervisory Board

### **IV. ACCOUNTING AND AUDIT**

- 4.1 Disclosures on financial statements and management reports as well as other reports
- 4.2 Audit

### **V. SHAREHOLDERS AND ANNUAL SHAREHOLDERS' MEETING**

- 5.1 Shareholders' rights at the Annual Shareholders' Meeting
- 5.2 Dealing with price-sensitive information
- 5.3 Related party disclosure

# [ INDUS ]

In this statement, the Board of Management and the Supervisory Board report on corporate governance in accordance with sections 289f, 315d of the German Commercial Code (HGB) and Principle 22 of the German Corporate Governance Code.

## **I. CORPORATE GOVERNANCE PRINCIPLES**

### **1.1 GENERAL INFORMATION**

INDUS Holding AG (hereinafter referred to as INDUS) is a leading specialist for the acquisition and long-term support of small and medium-sized manufacturing companies in German-speaking Europe. As a long-term investor, the company places its investment focus on successful SMEs in the manufacturing sector, most of which are taken over from family entrepreneurs.

INDUS is headquartered in Bergisch Gladbach in North Rhine-Westphalia. The holding company is managed by a Board of Management that is composed of four members. The Board of Management consists of Dr. Johannes Schmidt (Chairman), Dr. Jörn Grossmann, Axel Meyer and Rudolf Weichert.

### **1.2 CORPORATE STRUCTURE**

Being a German stock corporation, INDUS has a dual management system. The latter is characterized by a strict separation of personnel between the Board of Management and the Supervisory Board. The two bodies cooperate constructively and in a spirit of trust in the interests of the company and the Group.

Good and sustainable corporate governance is of particular importance to INDUS and its many portfolio companies and is regarded as a key management task.

### **1.3 DECLARATION OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG) ON THE GERMAN CORPORATE GOVERNANCE CODE**

The Board of Management and the Supervisory Board of INDUS Holding AG (“the company”) hereby declare, in accordance with Section 161 of the German Stock Corporation Act (AktG), that the company has complied with the recommendations of the “Government Commission on the German Corporate Governance Code” as amended on 16 December 2019 – announced in the German Federal Gazette on 20 March 2020 – (“Code 2020”) since the announcement and will continue to do so in future, save for the following exceptions:

# [ INDUS ]

- **A.2 SENTENCE 2 OF THE CODE 2020: OPPORTUNITY TO WHISTLEBLOW WITH PROTECTION OF THE WHISTLEBLOWER**

In view of the open communication culture within the company and possible risks of abuse, the company had refrained from installing a whistleblowing system in the past. The company has now decided to install such a system and will make it available in the first quarter of 2021 at the latest. Consequently, the company will comply with recommendation A.2 sentence 2 of the Code 2020 as of that date.

- **SECTION G.I OF THE CODE 2020: REMUNERATION OF THE BOARD OF MANAGEMENT**

Section G.I of the Code 2020 contains new recommendations regarding the remuneration of the Board of Management. The following of these recommendations were not fully complied with in the past: G.3 (peer-group comparison), G.4 (workforce comparison), G.6 (pre-dominance of long-term remuneration targets), G.10 (investment of variable remuneration in shares/share-based remuneration), G.11 (accounting for extraordinary developments) and G.13 (severance payment cap on termination of contract). In each of these cases, non-compliance was due to the fact that the Board of Management required a certain lead time to adjust the compensation system. At its meeting on 9 December 2020, the Supervisory Board adopted an adjusted Management Board compensation system, which now complies with all recommendations of the Code 2020.

The Board of Management and the Supervisory Board also declare, in accordance with Section 161 of the German Stock Corporation Act (AktG), that the company complied with the recommendations of the “Government Commission on the German Corporate Governance Code” as amended on 7 February 2017 – announced in the German Federal Gazette on 24 April 2017 and corrected on 19 May 2017 (“Code 2017”) – since the issue of the last declaration of conformity in September 2019 until announcement of the Code 2020 on 20 March 2020, save for the following exceptions:

- **ITEM 4.1.3 SENTENCE 3 HALF-SENTENCE 1 OF THE CODE 2017: OPPORTUNITY TO WHISTLEBLOW WITH PROTECTION OF THE WHISTLEBLOWER**

In view of the open communication culture within the company and possible risks of abuse, the company had refrained from installing a whistleblowing system allowing employees to report, in a protected manner, suspected breaches of the law within the enterprise.

# [ INDUS ]

## - ITEM 5.4.1 PARA. 2 SENTENCE 2 AND PARA. 4 SENTENCE 1 AND SENTENCE 2 OF THE CODE 2017: REGULAR LIMIT TO SUPERVISORY BOARD MEMBERS' TERM OF OFFICE

The Supervisory Board had refrained from defining a regular limit to the term of office of the company's Supervisory Board members, as a general regular limit ignores individual factors that may justify a longer term of office of individual Supervisory Board members. In particular, such a regular limit would have ignored the fact that it may be of special importance for the company to preserve the long-standing expertise of Supervisory Board members for the company. The (partial) non-compliance with Item 5.4.1 Para. 4 sentences 1 and 2 of the Code 2017, according to which the regular limit shall be taken into account in election proposals and its implementation status shall be published, was a consequence of the absence of such regular limit.

Bergisch Gladbach, 9 December 2020

For the Board of Management

Dr. Johannes Schmidt

Rudolf Weichert

For the Supervisory Board

Jürgen Abromeit

## II. BOARD OF MANAGEMENT

### 2.1 BOARD OF MANAGEMENT AND MEMBERS OF THE BOARD OF MANAGEMENT

The members of the Board of Management are appointed by the Supervisory Board. The INDUS Board of Management is composed of four members: Dr. Johannes Schmidt (Chairman), Mr Rudolf Weichert (member of the Board of Management), Dr. Jörn Großmann (member of the Board of Management) and Mr Axel Meyer (member of the Board of Management). For more information, see [www.indus.de/en/about-indus/board-of-management/](http://www.indus.de/en/about-indus/board-of-management/) and the current Annual Report. The Annual Report also contains information on the mandates held by the members of the Board of Management outside this body, which they may accept only with the consent of the INDUS Supervisory Board.

The age limitation policy adopted by the Supervisory Board for members of the Board of Management, which provides for their stepping down upon reaching the age of 67, was complied with in the reporting year 2020.

### PROFILE OF SKILLS AND EXPERTISE, SUCCESSION PLANNING FOR THE BOARD OF MANAGEMENT

The Supervisory Board ensures long-term succession planning in cooperation with the Board of Management. To this end, a process has been established by which the Chairman of the Supervisory Board initially exchanges regular information about foreseeable vacancies on the Board of Management and suitable candidates – including from within the company – with the Chairman

# [ INDUS ]

of the Board of Management. Succession planning is a fixed item on the agenda of the Supervisory Board's Human Resources Committee at least once a year. The Human Resources Committee prepares any necessary resolutions of the Supervisory Board in Board of Management matters and informs the Supervisory Board of its consultations. In addition to basic suitability criteria for the selection of candidates for a position on the Board of Management, such as age, education and professional background as well as personal requirements, the Supervisory Board also pays attention to diversity. In this context, the Supervisory Board uses the diversity policy for the composition of the Board of Management outlined below. This policy also takes into account the recommendations of the German Corporate Governance Code.

Whenever there is a vacancy on the Board of Management, the Supervisory Board, after thorough preparation by the Human Resources Committee, defines a profile of required skills and expertise to find a candidate who ideally complements the existing profiles of the other Board of Management members or, in the event of the resignation of a member, replaces the latter's profile. The Board of Management should have all the skills and experience that are considered to be material for the management of INDUS. The Supervisory Board decides which candidate should be appointed to a specific position on the Board of Management in the interests of the company, taking into account all the circumstances of the individual case.

## **DIVERSITY POLICY**

The INDUS Supervisory Board sets a target for the share of women on the Board of Management in accordance with section 111 (5) of the German Stock Corporation Act (AktG). The Supervisory Board last updated the target for the share of women on the Board of Management of INDUS in its resolution dated 23 May 2017. It remained unchanged at 0.00% and is valid until 23 May 2022. This target corresponds to the current status. The Supervisory Board is open to raising the target. Unless otherwise provided for by the law, the Supervisory Board will discuss and make a decision before 23 May 2022 regarding the new target that will apply from 24 May 2022 for the share of women on the Board of Management.

In accordance with section 76 (4) AktG, the Board of Management defines targets for the share of women at the two management levels below the Board of Management. There are no management levels below the Board of Management in INDUS Holding AG's organizational structure. The determination of targets for the share of women at such management levels is therefore not relevant.

# [ INDUS ]

## **2.2 ACTIVITY OF THE BOARD OF MANAGEMENT**

The INDUS Board of Management runs the company and has sole responsibility for managing its business activities. It performs its management function as a collegial body with joint responsibility. The responsibilities of the members of the Board of Management are divided into individual departments according to functional aspects. The allocation of responsibilities to the individual members of the Board of Management is based on a schedule of responsibilities.

The Board of Management determines the company's strategic orientation and ensures its implementation. The Board of Management also outlines the business goals of INDUS, the annual and multi-year projections, the internal control and risk management system, and the business segments' management control practices. The Board of Management's duties also include preparation of the quarterly, semi-annual, and annual financial statements of INDUS and the INDUS Group.

The Board of Management usually meets once a week at physical meetings, which are chaired by the Chairman of the Management Board, and adopts the necessary resolutions. Due to the special circumstances of the COVID-19 pandemic, several meetings of the Board of Management in the financial year 2020 were held as virtual meetings or as a physical meeting with the option of virtual participation. The Board of Management is informed about upcoming topics by the specialist departments. Thanks to its lean structure, the Board of Management is also able to vote in writing outside of the physical meetings, if necessary. The members of the Board of Management work together as colleagues and keep each other informed about important measures and events in the spheres of responsibility assigned to them according to the schedule of responsibilities.

The Board of Management reports to the Supervisory Board regularly, promptly, and comprehensively on all issues relevant to the company and explains any material deviations of the actual course of business from the plans and targets.

The members of the Board of Management disclose any conflicts of interest that may arise immediately to the Supervisory Board (via the Chairman of the Supervisory Board) and the Chairman of the Board of Management and inform the other members of the Board of Management accordingly.

## **2.3 CORPORATE GOVERNANCE PRACTICES OF INDUS**

Information on the activities of the Board of Management is provided in the regular annual reports, semi-annual reports and quarterly statements. The publication dates of these reports and statements can be found in the financial calendar at [www.indus.de/en/investor-relations/financial-calendar/](http://www.indus.de/en/investor-relations/financial-calendar/). In addition, INDUS provides information on events in the Group that are of significance for the capital market as and when they occur.



## **A. GERMAN CORPORATE GOVERNANCE CODE**

Above and beyond the legal requirements of German stock corporation, co-determination and capital market law, INDUS complied and continues to comply with the recommendations of the German Corporate Governance Code with the exceptions stated and justified in the declaration of conformity (cf. 1.3).

## **B. COMPLIANCE MANAGEMENT SYSTEM**

The Board of Management ensures that an adequate Compliance Management System is in place at the holding company level. At the beginning of 2021, the Board of Management appointed a Compliance Officer, who reports directly to the Board of Management member in charge of Compliance.

The corresponding risk-oriented measures include, in particular, the communication of a Code of Conduct to all employees of the company which voluntarily goes beyond the legal requirements. This Code of Conduct defines principles for the conscious and responsible dealing with business partners, shareholders and employees. The INDUS Code of Conduct is available on the company's website at [www.indus.de/en/about-indus/corporate-governance/](http://www.indus.de/en/about-indus/corporate-governance/).

The portfolio companies organize their compliance in a decentralized way. The managing directors of the individual portfolio companies are responsible for the adequate contents of their respective Compliance Management System. The cornerstones of the INDUS culture are a shared understanding of values and risk minimization, for sustainable corporate development, as well as the division of central requirements and their independent implementation and management in the portfolio companies.

In 2020, the company worked on professionalizing a whistleblower system in accordance with legal requirements. From the first quarter of 2021, it will offer a standardized system that complies with the statutory requirements for itself and all portfolio companies. The purpose of this system is to help identify violations of the law and serious misconduct at an early stage, to address them and to put a stop to them as quickly as possible. Thanks to a clearly defined structure for the reporting and processing of the notices received as well as a transparent escalation process for additional confidence, such an easily accessible whistleblowing body creates additional trust and provides the security of being able to report grievances in a protected manner. It is thus intended to ensure the sustainable success of the Group and to avert any damage to it. It is available not only to employees, but, for instance, also to business partners or customers and thus to anyone who may have an interest in such reports. It is intended to allow anyone who has knowledge or reasonable suspicion of material misconduct/grievance (violation of law or unethical conduct contrary to our Code of Conduct) to make a report, anonymously if desired.



# [ INDUS ]

## **C. RELATED PARTY TRANSACTIONS**

In accordance with section 111a (2) sentence 2 of the German Stock Corporation Act (AktG), the company has established an internal procedure for related party transactions.

The requirements of sections 111a et seq. AktG, which were revised as part of the ARUG II, regarding the approval and disclosure requirements for related party transactions also led to a revision of the rules of procedure of the management teams of the individual portfolio companies, which were successively put into effect in early 2021. According to the updated rules of procedure, related party transactions now require the approval of the relevant shareholders' meeting.

## **D. D&O INSURANCE DEDUCTIBLE**

The company has taken out D&O insurance (financial loss liability insurance) for the members of the Board of Management and the Supervisory Board, which provides for a deductible of 10 percent of the loss up to one and a half times the fixed annual compensation of the respective insured board member.

## **E. SUSTAINABILITY**

The continuous improvement of INDUS' sustainability performance is managed and further developed by the Board of Management. INDUS recognized at an early stage the importance of acting responsibly and of continuously improving what has been achieved. In the opinion of INDUS, real business success is not reflected in quarterly figures, but in a company's successful long-term performance. In this context, those corporate factors that are outside the economic dimension are also important: environmental aspects, employee matters, social concerns, respect for human rights, and the fight against corruption and bribery. This is also the basis on which the operationally independent portfolio companies of INDUS operate.

Besides the achievement of economic goals, the exchange between the Board of Management and the managing directors of the portfolio companies focuses on relevant sustainability aspects, non-financial performance indicators and the achievement of the objectives the portfolio companies set for themselves. In addition, CSR-related issues are regularly highlighted and discussed at INDUS' annual entrepreneurs' conference (Unternehmertagung). In 2016, INDUS integrated an incentive for progress achieved in the area of sustainability into the compensation system of the Board of Management. The separate non-financial report for the INDUS Group is available for download on the company's website at [www.indus.de/en/investor-relations/sustainability/](http://www.indus.de/en/investor-relations/sustainability/).

## **F. RISK MANAGEMENT**

A basic requirement of good corporate governance is also that risks are systematically recorded, assessed and managed. In accordance with applicable legal requirements, the Board of Management has set up a professional risk management system. The latest Annual Report provides information on the structure of this system and the main risks and opportunities that currently exist.

### **2.4 PROCEDURES OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD**

The Board of Management has sole responsibility for managing the company to the best of the company's interests with the aim of achieving economic success and creating sustainable value for the company. It takes into account the interests of all stakeholders, in particular shareholders and employees of the Group. The Supervisory Board advises and supervises the Board of Management in managing the company and is involved in decisions of fundamental importance to the company. The Board of Management informs the Supervisory Board in a regular, timely, and comprehensive manner of all relevant issues, including particularly those pertaining to the corporate planning process, strategic development, earnings and financial position as well as risk situation, to risk exposure and to compliance. Deviations from targets and planning in the company's performance are also elucidated, as well as the strategic approach at the holding company level and the further development of the composition of the portfolio. According to the list of transactions requiring approval defined by the Supervisory Board, decisions of material importance for the business of INDUS require the Supervisory Board's approval. Also, related party transactions of the company require the approval of the Supervisory Board pursuant to section 111b AktG. The Board of Management and the Supervisory Board cooperate closely to the benefit of the company. Consultations and discussions between the Board of Management and the Supervisory Board are conducted openly and in an atmosphere of trust.

### **2.5 COMPENSATION SYSTEM AND COMPENSATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT**

The current compensation system, which was adopted by the Supervisory Board in December 2020, is in line with the German Corporate Governance Code. The new compensation system will be put to the vote of the Annual Shareholders' Meeting for the first time in 2021.

# [ INDUS ]

## III. SUPERVISORY BOARD

### 3.1 MEMBERS AND CHAIR

The Supervisory Board of INDUS has 12 members, with Mr Jürgen Abromeit serving as Chairman and Mr Wolfgang Lemb as his deputy. In accordance with the German Codetermination Act (MitbestG), it has been composed of an equal number of shareholder and employee representatives since 29 November 2018. The next ordinary election date for the shareholder representatives on the Supervisory Board is the 2023 Annual Shareholders' Meeting. Information on the members of the Supervisory Board and their résumés is provided in the 2020 Annual Report, which will be available on our website as of 23 March 2021. The website at [www.indus.de/en/about-indus/supervisory-board/](http://www.indus.de/en/about-indus/supervisory-board/) provides information on how long the individual members have served on the Supervisory Board as well as on the additional mandates they hold on supervisory boards and other comparable supervisory bodies and on the management mandates held by them.

### 3.2 COMPOSITION AND DIVERSITY

#### A. DIVERSITY POLICY FOR THE SUPERVISORY BOARD

The company has a diversity policy for filling positions on the Supervisory Board. In addition, the Supervisory Board has defined concrete targets for its composition as well as a profile of skills and expertise for the full Supervisory Board. The Nomination Committee ensures that the targets regarding its composition and the requirements of the German Stock Corporation Act and the German Corporate Governance Code regarding the composition of the Supervisory Board are observed for the shareholder representatives on the Supervisory Board. The Nomination Committee of the Supervisory Board discusses suitable candidate proposals for the election of new shareholder representatives by the Annual Shareholders' Meeting. In this context, it considers not only the profile of skills and expertise but also the targets defined by the Supervisory Board with regard to its composition. The profile of skills and expertise of the Supervisory Board is made up as follows:

AREA OF SKILLS/EXPERTISE	EXPLANATION
Strategy	Proven experience in the development of corporate strategies and their implementation
Technology	Profound knowledge and experience in the fields of technology that are relevant for the portfolio companies
Innovation	Profound knowledge and experience in the definition of innovation strategies and their implementation

# [ INDUS ]

<b>Internationalization</b>	Proven experience in the establishment and management of foreign business units or extensive own international experience
<b>Mergers &amp; acquisitions</b>	Proven knowledge and experience in the implementation of M&A processes
<b>Management</b>	Sustainably successful management experience at management or board level
<b>Finance</b>	Extensive knowledge and experience in accounting of complex corporate groups, corporate financing and financial risks
<b>Risk management</b>	Profound experience in the design and monitoring of risk management systems
<b>Compensation system</b>	Practical experience in the design and application of performance-based compensation systems

The Supervisory Board is of the opinion that the skills, experience, and expertise available on the Supervisory Board fully meet the requirements of its profile of skills and expertise. The expertise, skills, and experience of the individual members of the Supervisory Board are described in their résumés published on the company's website at [www.indus.de/en/about-indus/supervisory-board/](http://www.indus.de/en/about-indus/supervisory-board/).

The Supervisory Board has set an age limit for its members: the member may not be above the age of 70 at the time of appointment. This age limit was complied with in the reporting year.

## **B. GENDER QUOTA**

Pursuant to sections 96 (1), 101 (1) AktG and section 7 (1) sentence 1 No. 1 MitbestG, the Supervisory Board must be composed of six shareholder representatives and six employee representatives and additionally, pursuant to section 96 (2) sentence 1 AktG, of at least 30% of women and at least 30% of men. As a general rule, the gender quota must be fulfilled by the Supervisory Board as a whole unless the shareholder representatives or the employee representatives object to the overall fulfilment in accordance with section 96 (2) sentence 3 AktG. The members of the Supervisory Board representing the shareholders objected to the overall fulfilment of the statutory gender quota. Consequently, the Supervisory Board had to be made up of at least two women and at least two men on the side of both the shareholder representatives and the employee representatives.

There are currently two women and four men on the side of the shareholder representatives on the Supervisory Board and three women and three men on the side of the employee representatives, which means that the statutory gender quota is being fulfilled.



### **C. INDEPENDENCE**

No member of the Supervisory Board performs or has performed executive, supervisory or consulting functions at any significant competitors of INDUS. Furthermore, no member of the Supervisory Board had or has personal relations with a major competitor. The company also complies with recommendation C.11 of the German Corporate Governance Code, which stipulates that no more than two former members of the Board of Management shall be members of the Supervisory Board; at present, one former member of the Board of Management serves on the Supervisory Board.

The Supervisory Board of INDUS used to be of the opinion that it should include at least three independent shareholder representatives and is now of the opinion that it should include at least four independent shareholder representatives. In the opinion of the shareholder representatives, the Supervisory Board of INDUS does not include any shareholder representative considered to be dependent on the company and the Board of Management. This means that Mr Jürgen Abromeit, Dr Jürgen Allerkamp, Dr Dorothee Becker, Ms Isabella Pfaller, Mr Helmut Späth, and Mr Carl Martin Welcker are independent.

#### **PROCEDURES OF THE SUPERVISORY BOARD**

The Supervisory Board of INDUS appoints the Board of Management, provides guidance regarding company management, and monitors management activities. It also performs all other duties imposed on it by the law. Information regarding the focal points of Supervisory Board activity last year is available in the report of the Supervisory Board in the 2020 Annual Report.

The Supervisory Board regularly assesses the effectiveness of its activities, as it did in the past financial year. For this purpose, the Chairman of the Supervisory Board distributed comprehensive, legally verified questionnaires among the Supervisory Board members, which were answered by all of them. The questionnaires for the members of the Supervisory Board contained a total of 36 questions from seven subject areas. The Human Resources and Audit Committees carried out similar self-assessments. The questionnaire for the Human Resources Committee contained nine questions from three subject areas. The members of the Audit Committee answered 17 questions from five subject areas. Following evaluation of the questionnaires by the Chairman of the Supervisory Board, he presented the results of the self-assessments for discussion at a Supervisory Board meeting. The results have been and will be taken into account in the activities of the Supervisory Board and its committees.

The Supervisory Board has given itself rules of procedure, which are available on the company's website at [www./indus.de/en/about-indus/supervisory-board/](http://www./indus.de/en/about-indus/supervisory-board/). The names and relevant offices of the members of the Supervisory Board are published in the annual report. In addition,



the résumés of all members of the Supervisory Board are available on the company's website at [www.indus.de/en/about-indus/supervisory-board/](http://www.indus.de/en/about-indus/supervisory-board/).

Further details on the activities and composition of the Supervisory Board and its committees in the financial year 2020 are provided in the report of the Supervisory Board in the 2020 Annual Report. The report also includes an individualized overview of the attendance of the members at the meetings of the Supervisory Board and its committees.

### **3.3 ACTIVITY OF THE SUPERVISORY BOARD IN THE REPORTING YEAR**

In 2020, the Supervisory Board again performed all the duties incumbent upon it by law or under the Articles of Incorporation. It advised the Board of Management on managing the company and supervised its actions; at the same time, it was involved in all fundamental decisions. It was informed by the Board of Management regularly, without delay and comprehensively about all aspects of business performance, the financial position as well as the risks and their management.

The Supervisory Board made its decisions on the basis of comprehensive reports and resolution proposals submitted by the Board of Management. It had ample opportunity to discuss the reports and resolution proposals of the Board of Management in plenary sessions and in the committees. The Board of Management kept the Supervisory Board fully informed also outside of the meetings about projects and matters of particular importance or urgency. The Chairman of the Supervisory Board maintained a constant exchange of information and ideas with the Board of Management. The Supervisory Board passed all resolutions required by law or the Articles of Incorporation.

In the past year, the Supervisory Board held six ordinary meetings and one extraordinary meeting. Besides these meetings, the shareholder representatives adopted the resolutions on independence (minimum number of independent shareholder representatives, independence of the respective shareholder representatives) in a conference call. The Supervisory Board met regularly also without the Board of Management. For further information on the meetings, e.g. on the attendance of the Supervisory Board members and the topics discussed, please refer to the report of the Supervisory Board in the 2020 Annual Report.

### **3.4 COMMITTEES AND THEIR PROCEDURES**

In the reporting year, the twelve-strong Supervisory Board with equal representation of the shareholders and the employees formed a Mediation Committee pursuant to section 27 (3) MitbestG, a Human Resources Committee, an Audit Committee and a Nomination Committee.



## **A. AUDIT COMMITTEE**

The Audit Committee is composed of three members. It consists of the Chairwoman of the Committee, Ms Isabella Pfaller, as well as Dr Jürgen Allerkamp as further shareholder representative and Mr Gerold Klausmann as employee representative. The Chairwoman of the Audit Committee is independent, has special expertise and experience as a financial expert in the application of accounting principles and internal control procedures and is familiar with the auditing of financial statements. The Audit Committee prepares the decisions of the Supervisory Board on the separate and the consolidated financial statements as well as the proposal to the Annual Shareholders' Meeting on the election of the external auditor. It is also responsible for issuing the audit engagement to the external auditor, determining the focal points of the audit and concluding the fee agreement. A regular exchange with the external auditor on relevant topics is held also outside the meetings. In addition, the Audit Committee monitors the independence of the external auditor and addresses the additional services provided by the auditor as well as compliance-related issues. The Audit Committee of the Supervisory Board supervises the audit of the financial statements, also with regard to its quality. It advises and monitors the Board of Management in matters relating to accounting, the effectiveness of the internal control system, the risk management system, and the internal audit system. It also discusses the semi-annual reports and the quarterly reports with the Board of Management prior to their publication.

## **B. HUMAN RESOURCES COMMITTEE**

The Human Resources Committee is composed of four members. It consists of the Chairman of the Supervisory Board, Mr Jürgen Abromeit (Committee Chairman), Dr Dorothee Becker as further shareholder representative as well as Ms Dorothee Diehm and Mr Wolfgang Lemb as employee representatives. In accordance with the rules of procedure, the Human Resources Committee prepares the resolutions of the Supervisory Board on the appointment and dismissal of members of the Board of Management. The same applies to the conclusion, amendment and termination of contracts and to resolutions on the compensation system of the Board of Management and the individual compensation of its members. Decisions in this regard are made by the full Supervisory Board.

## **C. NOMINATION COMMITTEE**

The Nomination Committee consists of the Chairman of the Supervisory Board, Mr Jürgen Abromeit (Committee Chairman), as well as Ms Isabella Pfaller and Mr Carl Martin Welcker as further shareholder representatives. It proposes candidates for the Supervisory Board's resolution proposals to the Annual Shareholders' Meeting for the election of Supervisory Board members representing the shareholders, taking into account the targets set by the Supervisory Board and the approved profile of skills and expertise, potential conflicts of interest and diversity.

## **D. MEDIATION COMMITTEE**

The Mediation Committee, which is entrusted with the tasks pursuant to section 31 (3) sentence 1 of the German Codetermination Act (MitbestG), meets only when necessary. The Mediation Committee consists of the Chairman of the Supervisory Board, Mr Jürgen Abromeit (Committee Chairman), his deputy, Mr Wolfgang Lemb, as well as Ms Isabella Pfaller (shareholder representative) and Ms Pia Fischinger (employee representative). It makes proposals for the appointment of members to the Board of Management if the required two-thirds majority is not achieved in the first ballot.

## **E. PROCEDURES**

Meetings of the committees are usually held as physical meetings. At the order of the Chairman of a committee, future committee meetings may also be held by telephone, video or internet conference or comparable means of communication, including in such a way that only individual members of the Supervisory Board use these means of communication to attend the meeting. Due to the contact restrictions imposed by law as a result of the coronavirus pandemic, committee meetings were also held as video conferences. As with the Supervisory Board itself, committee decisions require a simple majority, unless the law provides otherwise. The execution of resolutions by the Supervisory Board and its committees is the responsibility of the Supervisory Board Chairman.

## **3.5 COMPENSATION OF THE MEMBERS OF THE SUPERVISORY BOARD**

The compensation of the Supervisory Board is governed by INDUS' Articles of Incorporation, which are available at [www.indus.de/en/about-indus/corporate-governance/](http://www.indus.de/en/about-indus/corporate-governance/).

- a. In addition to the reimbursement of their out-of-pocket expenses incurred in performing their duties in the relevant financial year ended, all Supervisory Board members receive basic compensation of EUR 30,000.00 as well as an attendance fee of EUR 3,000.00 per meeting. The same applies to conference calls or video conferences. The Chairman receives twice the two aforementioned sums, and his deputy receives one-and-a-half times these amounts. The basic compensation falls due at the end of the financial year. Members of the Supervisory Board who have not been members of the Supervisory Board or who have not held the position of Chairman or Deputy Chairman for the entire financial year are only entitled to compensation on a pro rata temporis basis.
- b. Each member of a Supervisory Board committee receive compensation in the amount of EUR 5,000.00 in addition to the reimbursement of their out-of-pocket expenses incurred in performing their duties in the relevant financial year ended. The Chairman of the committee



# [ INDUS ]

receives twice the aforementioned sum. The compensation falls due at the end of the financial year. Committee members who have not been members of the committee or who have not held the chair for the entire financial year are only entitled to compensation on a pro rata temporis basis. The aforementioned provisions do not apply to the committee pursuant to section 27 (3) MitbestG.

- c. The Supervisory Board members have been paid the Supervisory Board compensation plus attendance fees and reimbursement of out-of-pocket expenses plus applicable statutory VAT, insofar as the Supervisory Board members were entitled to issue invoices showing VAT and exercised this right.
- d. The company can take out D&O liability insurance for the Supervisory Board members in an appropriate amount to cover the statutory liability relating to Supervisory Board activities. The insurance premium is borne by the company.

Under Article 19 of the EU Market Abuse Regulation, members of the Supervisory Board are required to inform the public when they buy or sell INDUS shares. In 2020, Supervisory Board members only reported share purchases; no sales were reported. All share transactions by Supervisory Board members reported to us have been disclosed throughout Europe by means of notifications in accordance with Article 19 of the EU Market Abuse Regulation. Detailed information on the compensation of the Supervisory Board and the amount of compensation paid to the individual members is provided in the current compensation report, which forms part of the Annual Report.

## **IV. ACCOUNTING AND AUDIT**

### **4.1 DISCLOSURES ON FINANCIAL STATEMENTS AND MANAGEMENT REPORTS AS WELL AS OTHER REPORTS**

Besides the annual financial statements, INDUS also prepares a semi-annual report as well as quarterly reports. The individual financial statements of INDUS, which are relevant for the dividend payment, are prepared in accordance with the provisions of the German Commercial Code (HGB). The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Besides the annual and semi-annual report, INDUS also publishes management reports pursuant to section 289 and section 315 of the German Commercial Code (HGB), which present the company's performance and position. The separate non-financial Group report is published annually.

The financial year 2020 will be the first for which INDUS additionally prepares a separate sustainability magazine with a view to intensifying its reporting on environmental and social mat-

# [ INDUS ]

ters. This publication will also be published on the website. The publication dates of these reports and statements can be found in the financial calendar at [www.indus.de/en/investor-relations/financial-calendar/](http://www.indus.de/en/investor-relations/financial-calendar/).

## **4.2 AUDIT**

The Audit Committee of the Supervisory Board supervises the audit of the financial statements and ensures its quality. It reviews the independence of the external auditor and deals with the additional services provided by the latter. Moreover, it prepares the proposal to the Annual Shareholders' Meeting for the election of the external auditor and makes a recommendation in this regard. The Audit Committee is also responsible for issuing the audit engagement letter, determining additional focal points of the audit and concluding a fee agreement with the external auditor. During the audit, the Chairman of the Audit Committee is in constant contact with the external auditor and exchanges views with the latter on the contents of the audit. The external auditor is elected by the Annual Shareholders' Meeting for one financial year at a time in accordance with the statutory provisions. Last year, at the proposal of the Supervisory Board, the INDUS Annual Shareholders' Meeting again appointed Ebner & Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft as auditors for the 2020 financial year.

Ebner & Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft uses internal rotation procedures to ensure that the audit procedures are performed with the appropriate distance from the company.

Before the Audit Committee makes a recommendation to the Supervisory Board regarding the engagement of the external auditor, it obtains a statement from the auditing firm as to whether and to what extent business, financial, personal, or other relationships exist between it, its managing and controlling bodies, and its audit managers, on the one hand, and the audited INDUS companies and their managing and controlling bodies, on the other, that could give rise to doubts about the external auditor's independence.

Should circumstances arise during the audit which constitute grounds for bias on the part of the auditor or for his or her disqualification and which cannot be remedied immediately, the auditor must inform the Chairman of the Audit Committee without delay. The auditor must also report to the Supervisory Board on all matters of importance to the Supervisory Board's duties that come to his or her attention during the audit of the financial statements. Moreover, the auditor must inform the Supervisory Board or make a note in the audit report if he or she discovers facts that contradict the company's declaration of conformity.



## V. SHAREHOLDERS / ANNUAL SHAREHOLDERS' MEETING

The invitation to the Annual Shareholders' Meeting including the required documents and reports are available on the internet at [www.indus.de/en/investor-relations/shareholders-meeting/](http://www.indus.de/en/investor-relations/shareholders-meeting/).

### 5.1 SHAREHOLDERS' RIGHTS AT THE ANNUAL SHAREHOLDERS' MEETING

INDUS shareholders may also exercise their voting rights by transferring them to the company's delegated proxies, who are bound by instructions, or by authorizing third parties to exercise their voting rights. At the 2021 Annual Shareholders' Meeting, the shareholders will be asked for the first time to vote on the compensation system in accordance with the Act Implementing the Shareholders' Rights Directive (ARUG II).

### 5.2 DEALING WITH PRICE-SENSITIVE INFORMATION; INVESTOR RELATIONS

INDUS publishes all material information relating to the company's situation on its website at [www.indus.de/de/en](http://www.indus.de/de/en). This includes the annual and semi-annual financial statements, annual reports, semi-annual reports and quarterly statements, as well as press releases, ad hoc announcements and voting rights notifications. Conference calls are held with financial analysts and investors on the occasion of the publication of the company's results.

INDUS also maintains a lively exchange of information with financial analysts, investors and other capital market participants above and beyond the publication dates. Face-to-face meetings at roadshows or conferences are a key investor relations instrument. In accordance with the recommendations of the GCGC, the Chairman of the Supervisory Board is involved in these activities at INDUS. In the 2020 financial year, meetings were also held at which the Chairman of the Supervisory Board discussed topics relating to the Supervisory Board with institutional investors.

### 5.3 RELATED PARTY DISCLOSURE

No contracts were concluded between members of the Supervisory Board and INDUS in the 2020 financial year. Memberships of members of the Board of Management and the Supervisory Board in governing bodies of other companies as well as transactions with related parties are disclosed in the Annual Report for the respective year.